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# China Report

ECONOMIC AFFAIRS

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7 April 1986

## CHINA REPORT

### ECONOMIC AFFAIRS

#### CONTENTS

##### NATIONAL POLICY AND ISSUES

LIAOWANG Reviews Status of Price Reform (Chang Ging; LIAOWANG OVERSEAS EDITION, No 9, 3 Mar 86) ...	1
Six Measures Proposed for Economic Readjustment (RENMIN RIBAO, 29 Oct 85) .....	6
Briefs	
Experts Meet To Perfect Laws	8

##### PROVINCIAL AFFAIRS

Report on Guangxi People's Congress Meeting (Guangxi Regional Service, 2 Mar 86) .....	9
Sichuan Holds Economic, Technological Cooperation Conference (Sichuan Provincial Service, 8 Mar 86) .....	11
Zhejiang's Urban, Rural Markets Prosper Under Reform (ZHEJIANG RIBAO, 1 Oct 85) .....	12
Briefs	
Shanxi Schedules Session	13

##### ECONOMIC PLANNING

WEN WEI PO on Aspects of Feasibility of Sanxia Scheme (WEN WEI PO, 9 Mar 86) .....	14
Guizhou Instructions on Work in Poor Areas (Guizhou Provincial Service, 7 Mar 86) .....	17
Guizhou Leader Speaks on Economic Reform Issues (Guizhou Provincial Service, 8 Mar 86) .....	18

Hebei People's Congress Meeting Concludes 28 Feb (Hebei Provincial Service, 28 Feb 86) .....	19
Heilongjiang People's Congress Standing Committee Meets (Heilongjiang Provincial Service, 10 Mar 86) .....	20
Henan Governor Researches Southwestern Henan Development (Henan Provincial Service, 8 Mar 86) .....	21
Jiangxi Governor Attends Provincial Meeting on Steel (Jiangxi Provincial Service, 28 Feb 86) .....	23
Jiangxi Governor Discusses Old Liberated Areas (Jiangxi Provincial Service, 11 Mar 86) .....	24
Liaoning Outlines Technical Renovation Arrangements (Liaoning Provincial Service, 26 Feb 86) .....	26
Shandong Reporter Discusses Aspects of Economic Work (Shandong Provincial Service, 9 Mar 86) .....	28
Shaanxi People's Congress Session Opens 7 Mar (Shaanxi Provincial Service, 7 Mar 86) .....	30
Briefs	
Presidium Holds Meeting .....	32
AGGREGATE ECONOMIC DATA	
PRC News Briefs on Highways, Coal, Power Plants (XINHUA, 15 Mar 86) .....	33
Hebei Communique on Economic, Social Development (HEBEI RIBAO, 25 Feb 86) .....	34
Briefs	
Industrial, Agriculture Output Doubles .....	47
ECONOMIC MANAGEMENT	
Fujian Circular on Economic Structural Reform (Fujian Provincial Service, 9 Mar 86) .....	48
Hebei Government Holds Conference on Production (HEBEI RIBAO, 19 Feb 86) .....	50
Heilongjiang Conference on Blows to Economic Criminals (Heilongjiang Provincial Service, 6 Mar 86) .....	52
Henan County Achieves Good Economic Structural Reform (Henan Provincial Service, 8 Mar 86) .....	54



Wuhan Applies Economic Levers in Economic Readjustment (RENMIN RIBAO, 1 Nov 85) .....	55
------------------------------------------------------------------------------------------	----

#### Briefs

Hebei Economic, Technological Cooperation .....	57
-------------------------------------------------	----

### FINANCE AND BANKING

Savings Deposits in Nei Monggol Increased (NEI MONGGOL RIBAO, 7 Dec 85) .....	58
----------------------------------------------------------------------------------	----

Shanghai Insurance Revenue Leads in Nation (Zhang Debao; WENHUI BAO, 8 Dec 85) .....	59
-----------------------------------------------------------------------------------------	----

Systems of Profit Sharing Between State, Enterprises Reviewed (Sha Nan'an, Yang Min; CAIZHENG, No 8, 8 Aug 85) .....	60
-------------------------------------------------------------------------------------------------------------------------	----

PRC Financial Statistics Summarized (JINGJI DAOBAO, No 28, 15 Jul 85) .....	65
--------------------------------------------------------------------------------	----

Second Quarter 1985 Financial Statistics Summarized (ZHONGGUO JINRONG, No 10, 4 Oct 85) .....	67
--------------------------------------------------------------------------------------------------	----

#### Briefs

Bank Credit Inspection .....	69
------------------------------	----

### INDUSTRY

Anhui: Defense Industry's Civilian Products Commended (Anhui Provincial Service, 10 Mar 86) .....	70
------------------------------------------------------------------------------------------------------	----

Heilongjiang Military Enterprises See Profit Increase (Heilongjiang Provincial Service, 3 Mar 86) .....	71
------------------------------------------------------------------------------------------------------------	----

Shanghai's Jiang Zemin on Industrial Production (WEN HUI BAO, 26 Feb 86) .....	72
-----------------------------------------------------------------------------------	----

Steel Mill Efficiency Increased, Reducing Energy Consumption (Cheng Yuan; JINGJI RIBAO, 8 Oct 85) .....	74
------------------------------------------------------------------------------------------------------------	----

#### Briefs

Yang Bo at Conference .....	76
Xinjiang Industrial Output .....	76
Jilin Collective Industry .....	76

### SMALL-SCALE ENTERPRISES

Hunan Announces Measures for Township Enterprise Development (Hunan Provincial Service, 11 Mar 86) .....	77
-------------------------------------------------------------------------------------------------------------	----

Township, Town Enterprise Fixed-Asset Investment Discussed (Sun Ronghua; NONGCUN JINRONG, No 23, 1 Dec 85) .....	78
CONSTRUCTION	
Briefs	
Shanghai Mayor at Baoshan Meet	83
Jilin Private Housing	83
Henan Gold-Smelting Plant	83
Changchun Airport Being Enlarged	83
FOREIGN TRADE AND INVESTMENT	
Conference on Tourism Opens in Hangzhou (XINHUA, 15, 16 Mar 86) .....	84
Official Discusses Development Plans	84
U.S. Travel Official Comments	85
Periodical Reveals January Trade Statistics (Olivia Sin; SOUTH CHINA MORNING POST, 13 Mar 86) .....	86
Briefs	
International Textile Industry Exhibit	88
POPULATION	
Wang Wei Attends Family Planning Meeting (Yu Changhong; XINHUA Domestic Service, 4 Mar 86) .....	89
TRANSPORTATION	
Beijing Aviation Bureau To Modernize Airliner Fleet (Wang Gangyi; CHINA DAILY, 14 Mar 86) .....	90
Problems in Double-Tracking Guangdong Line Reported (K. C. Tsang; SOUTH CHINA MORNING POST, 14 Mar 86) .....	92
Ocean Shipping Company Increases Business, Profits (Chen Zhisong; CHINA DAILY, 18 Mar 86) .....	95
Briefs	
Shipping Company Expands Services	97
Express Train Service To Begin	97
New Air Routes Opened	97
New Air Routes	97
New Train Begins in April	98
CAAC To Buy Airbuses	98
Hong Kong Flights Increased	98
CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS	
Prospects for Expanding Trade With USSR, Eastern Europe (Hong Xi; GUOJI MAOYI WENTI, No 4, Jul-Aug 85) .....	99

## NATIONAL POLICY AND ISSUES

### LIAOWANG REVIEWS STATUS OF PRICE REFORM

HK100941 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 9, 3 Mar 86  
pp 14-15

[Article by Chang Ging [1603 3237], member of the State Council Price Research Center: "China's Price Reform: Review and Prospects"]

[Text] China's price reform over the past year has attracted worldwide attention. What is the current situation and result of this reform, and what is the trend of its development? On this question, the comparatively identical view of Chinese economists and sociologists is: the reform will succeed, and the consumers will gradually adapt themselves to the new situation. It is predicted that this year, the price reform will be continued in accordance with the policy of consolidating, digesting, and supplementing previous achievements.

#### Four Tasks for the Price Reform

Generally speaking, there are four tasks for China's price reform:

- Relaxing the centralized control of nonstaple food and vegetable prices so that they can become market prices;
- Reforming the method of increasing prices for the above-quota purchase of grain and cotton and adopting the method of contract purchase and the form of mixed price ratios between grain and cotton;
- Increasing the charges for short-distance railway transport by 4 yuan per ton with distances of less than 200 kilometers, so that short hauls by rail can be restricted and be replaced by motor transport;
- relaxing the prices of the means of industrial production as commodities and adopting a double-track system of planned prices and market prices.

#### Background of the Price Reform

The price reform is a product of economic growth and the reform of the economic structure.

First, the success of China's rural reform has provided experiences and laid a foundation for the reform of the economic structure in the cities. At the same time, it has also added pressure to the cities' reforms. On the one hand, the reform of the rural economic structure has mobilized the peasants' initiative in production, resulting in the rapid growth of agricultural production and the dramatic change in the supply and demand of agricultural and sideline products compared with the situation before the reform. In this way, it has provided market conditions and experiences for the reform of the price system for agricultural and sideline products. On the other, the implementation of the rural economic responsibility system has objectively demanded the abolition of the system of state monopoly for purchases and set-quota purchases during the period of the people's communes and mandatory planning for the peasants and demanded relaxing the planned management of prices of agricultural and sideline products and vegetables.

Second, since the reform of the economic structure in the cities started in 1984, there has been an insurmountable obstacle for all kinds of reforms: the irrational price system and the over-rigid control of prices. For example, China has enlivened millions of its enterprises and introduced market mechanism, but due to the irrational price system, the enterprises are unable to attain their motive of seeking more profits. China's reform has resulted in the coexistence of diverse forms of ownership, but since the state-owned economy is over-rigidly controlled by planning while other economic sectors are relaxed, there has appeared a negative effect in the regulation of prices. China is unable to make further progress in its reforms in many fields, including the reform of its financial system to substitute taxes for delivery of profits and the reform of its banking system to improve the management of the specialized banks, because on the question of economic returns of the enterprises, it is unable to make an effective appraisal. For this reason, people of insight have realized that price reform is of key importance to the overall reform.

Third, the reform in the cities, which was started from the sphere of distribution, has stimulated the motive of the enterprises to seek more profits. However, since prices have been seriously distorted, they have been playing a role of reverse regulation on enterprise management. As a result, the vitality in the micro and the rational movement in the macro are developing in the opposite direction. Due to the "independent management" in the financial reform, there are more and more extrabudgetary funds with each passing day. The irrational prices have wrongly guided the orientation of investment and the originally unbalanced industrial structure has deteriorated. As a result, basic industry, which was originally very weak, has become even weaker, while the processing and assembly industries, which were originally developed, have become more developed. The entire economic structure has thus become more irrational. In order to give play to the regulatory function of pricing in a correct way, it is necessary to eliminate distortion in the price system as soon as possible.

Before the price reform, China had already obtained some experiences from certain experimental points. In theory, the general orientation was comparatively clear, that is, to establish a pattern of the planned commodity economy.

Through the discussion on this problem, the press circles reached a basically identical view on the price reform. In 1984, some good experiences were summed up by certain places, such as "relaxing vegetable prices to enliven vegetable production and achieve steady growth." Thus, the pace of reform was quickened in the first quarter of 1985.

Apart from this, there is also a more direct reason for carrying out the price reform, that is, the good economic situation in 1984. At the beginning of 1984, there was a comparatively relaxed economic situation in China. So the government held that conditions were ripe for the price reform and began to work out a plan for it through repeated discussions. The final decision was then made at the beginning of 1985.

### Victory in the First Fighting

One year has passed since the price reform started. The relatively identical opinion of China's experts in the economic and sociological circles is: The reform is a success, mainly expressed in the following facts:

1. The price reform has promoted the development of the economy toward the pattern of the planned commodity economy. It has enlivened the economy, started the work of strengthening market mechanisms, and created conditions for the reforms in various fields including banking, finance, materials, and planning.
2. It has played a role in promoting production and stimulating circulation and given play to the function of pricing in balancing demand and supply and rationalizing the investment structure. The double-track price system for productive means and the relaxation of nonstaple food and vegetable prices have greatly stimulated supply. As a result, there is an ample supply of goods in the market, with rich variety. By implementing this measure, some markets and circulation systems, which are characterized by diverse channels and few links, have become more mature. The rationalization of prices has played a very good role in guiding production management and investment.
3. After successfully passing the "period of pains," the reform has strengthened the bearing capacity of society and taught the managers to make decisions scientifically. For a long time in the past, due to the practice of the fixed price system, both enterprises and residents were used to unchanging prices. Now, as a result of "relaxing" prices, there is fluctuation in market prices. Now the consumers have adapted themselves to this situation step by step, thus lightening the load on their minds. At the same time, in the great school of the law of value, the enterprises have also learned how to sort out, analyze, and predict price information and make decisions scientifically.
4. It has blazed a new trail of combining both readjustment and relaxation of prices. It is difficult to carry out the price reform because it concerns the interests of various departments and areas. But now, since the readjustment and relaxation of prices are related to each other, this problem concerning the interests of various sectors has been quickly solved through market regulation.

## Whether or Not the Desired Results Have Been Achieved

Of course, there are also some lessons to sum up in this reform. The main problem is that the market prices have greatly hit at the planned prices, which is actually a result of separation between the planned regulation mechanism and the market regulation mechanism. Since there has been a considerable rise in prices, chiefly the temporary fluctuation of nonstaple food and vegetable prices due to the relaxation, the people have a heavier load on their minds, fearing that the price fluctuation may affect their livelihood.

There are four reasons for this problem: 1) The price reform was carried out during the high tide of expansion of the general social demand. 2) There was insufficient mental preparation in the society for the reform. In old China, the economy was in great disorder during the war and prices skyrocketed. All this cast a shadow on the people's mind. For this reason, the people are especially sensitive about changes in prices. In addition, there was insufficient propaganda and preparation for the reform since the time was too short, so, the social conditions were still not ripe when the reform began. 3) There was an underestimation of the natural increase in prices. To fix prices for certain new commodities (such as natural resources, which did not have a price before) and to perfect the price system of certain commodities (such as land rent and the form of payment) may probably result in an increase in prices, and to readjust the price setup and to increase the income of workers and staff may also result in changes in prices. 4) Since the market environment is not good enough, that is, the mechanism regulating the relations between supply and demand is not perfect, the transparency of the market is low, the circulation system cannot entirely suit the market situation, and the market order is abnormal, the role of price reform was not brought fully into play and pricing still cannot sensitively regulate supply and demand.

In our country, there are two views of the question of whether or not the price reform has achieved the desired target. One holds that it is still very far from the desired target, and many problems have emerged. The other holds that it has basically achieved the desired target. Moreover, there are some unexpected achievements, such as having blazed a new trail of combining both readjustment and relaxation of price, but some unexpected problems have also appeared.

## The Trend of This Reform in the Future

China's price reform is now at the crossroads: Whether to carry it out continuously or to stop, and whether to solve the problems by continuing the reform or to go back to the old path of rigid control. Judging from the discussions in theoretical circles and public opinion, there are two views on this question: One holds that in 1986, it is not suitable to take further actions because the economic situation is not an ideal one. The price reform should be carried out after a buyers' market appears. The other holds that since very good results have been achieved in implementing a series of measures to control the general demand over the past 6 months, the economic situation will be greatly improved in 1986. The conditions for development

at a moderate speed will be ripening day by day, which can help promote the reform. Therefore, it is necessary to seize the opportune moment to consolidate and supplement previous measures for the reform. It also holds that in the next 2 years, it is necessary to take the price reform as the center of the overall reform.

It is expected that this year, China will carry out its price reform in accordance with the policy of consolidating, digesting, and supplementing. The method will still be domination of both readjustment and relaxation and strengthening both direct and indirect control.

The trend of the reform can be summed up in two verses of an ancient Chinese poem: The river continues to flow eastwards, not being blocked by the green hills.

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CSO: 4006/837

## NATIONAL POLICY AND ISSUES

### SIX MEASURES PROPOSED FOR ECONOMIC READJUSTMENT

Beijing RENMIN RIBAO in Chinese 29 Oct 85 p 2

[Article: "Use Economic Levers Comprehensively, Do a Good Job in Regulation of the Economy: State Planning Commission Convenes Forum in Zhejiang To Suggest Emphasis on Six Aspects in Economic Readjustment"]

[Text] The State Planning Commission suggested at the forum on economic readjustment work recently convened in Zhejiang that, along with the reduction of the extent of mandatory planning and the expansion of the extent of directive planning and market regulation, the work of the planning departments should shift as soon as possible from placing emphasis on distributing funds and goods and directly controlling economic activities by way of administrative means as they did in the past, to placing more emphasis on readjusting the relationship between economic interests and strengthening indirect control over economic activities.

During the past few years, the State Planning Commission and the planning departments of various regions have conducted useful explorations in many aspects as to how such means of economic readjustment should be comprehensively applied. The forum held that the planning departments must keep firm control over the direction of readjustment; this is the key to doing a good job in such readjustment work today. In certain places, there have been multi-headed blind importation and blind production efforts as well as repetitive construction; in the case of enterprises (or products) whose direction of production failed to fit in with macroeconomic requirements, taxes were exempted or reduced at random and loans were also granted at random; this actually constituted "readjustment in reverse," leading to negative effects for macroeconomic control. The purpose of using economic levers comprehensively in launching our readjustment work is to maintain the continued, steady and coordinated development of our national economy and smooth progress in economic reform.

Viewed from the content of practice in the earlier stage of our economic readjustment and the state of our current economic life, the forum was of the opinion that emphasis of our current economic readjustment should be placed on six aspects: First, we must readjust society's overall demand and supply in order to achieve a better balance. Second, we must readjust our investment in fixed assets, injection of funds for consumption, and use of foreign exchange



so as to maintain a harmonious proportion between accumulation and consumption. Third, we must readjust the structure and the regional distribution of industries so as to gradually make them rational. Fourth, we must readjust the production, circulation and consumption of our concrete products in order to maintain the normal progress of social reproduction. Fifth, we must readjust the production of our export products and our non-trade foreign exchange revenue so as to encourage more export and greater efforts for foreign exchange earnings. And sixth, we must readjust the earnings of the state, the collectives and individuals and do our best to realize rational distribution.

The forum pointed out that to use economic levers comprehensively and strengthen indirect control are new tasks that involve many aspects, are important as policy, and are likewise very difficult to carry out. Moreover, our current system for economic readjustment remains to be gradually perfected, and this we can achieve only by learning while working things out during our reform operations. This requires our economic workers to proceed from the actual problems found in their own respective localities and units so as to strengthen their investigation and study, formulate practical and effective measures for economic readjustment, thereby pushing our planning work, or even our overall economic work, toward a new level.

9255

CSO: 4006/224

NATIONAL POLICY AND ISSUES

BRIEFS

EXPERTS MEET TO PERFECT LAWS--Beijing, March 10 (XINHUA)--A group of 20 economic and legal experts has begun drafting a program to perfect the country's economic legal system. The group held its first meeting here last week, an official of the state council's economic legislation research center said today. The Communist Party Central Committee has set a target of perfecting Chinese economic laws by the end of the decade. For the first time, the official said, the status and role of economic laws and regulations in the socialist legal system would be defined in the program. The drafting group has agreed that the program should mainly cover the following aspects: role and basic principles of economic laws, scope of application, economic rights and obligation, economic supervision and sino-foreign economic activities. The official said the formulation of the program would play a major role in further improving the country's socialist legal system. More than 340 economic laws and regulations have been passed over the past six years. [Text] [Beijing XINHUA in English 1321 GMT 10 May 86 OW]

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CSO: 4020/239

PROVINCIAL AFFAIRS

REPORT ON GUANGXI PEOPLE'S CONGRESS MEETING

HK060654 Nanning Guangxi Regional Service in Mandarin 1100 GMT 2 Mar 86

[Excerpts] The Sixth Regional People's Congress Standing Committee concluded its 19th session in Nanning this afternoon. At the 5-day session, the participants discussed the three reports of the regional people's government. Yesterday's session adopted decisions on convening the fourth meeting of the Sixth Regional People's Congress, on extricating the poor from their poverty-stricken state, on strengthening sports work, and on matters concerning appointments and dismissals.

Yesterday's session was presided over by Zhong Feng, vice chairman of the regional People's Congress Standing Committee. He also made a speech, in which he mentioned about the need to extricate the poor areas from their poverty-stricken state.

He said: The most important task presently is that we actively help those areas which still have insufficient food to eat or clothes to wear. We should strengthen our leadership and aim to help people living in the poor areas increase their income. We should not take a relaxed attitude, but rather perfect policies which will improve their lot.

The session decided to appoint (Qiu Guohua) as director of the regional office for overseas Chinese affairs, and to dismiss (Liang Shichen) from the office of director of the regional office for overseas Chinese affairs.

The 19th session of the Sixth Regional People's Congress Standing Committee decided: The convention of the fourth meeting of the Sixth Regional People's Congress will be held on 25 April 1986 at Nanning. The main agenda will be to listen to the report on the draft of the 7th 5-Year Plan as it concerns national economy and social development; to examine and approve the region's 7th 5-Year Plan; to examine and approve the region's 1986 plans for the national economy and social development; to examine and approve the report on the region's success in implementing the 1985 budget, as well as the 1986 budget.

On extricating the poor areas from their poverty-stricken state, the session adopted the following decision: The 19th session of the Sixth Regional People's Congress Standing Committee studied the important speeches made by

Comrade Hu Yaobang, secretary general of the CPC Central Committee, when inspecting the mountainous areas of Guizhou, Yunnan, and Guangxi in 1986. The participants unanimously endorsed the speeches.

The session also listened to and discussed the report on the region's work over the year concerning extricating the poor areas from their poverty-stricken state. The report was by (Liang Guoluo), deputy secretary general of the regional people's government, on behalf of the regional people's government.

The session concluded that the work of putting an end to the poverty-stricken state in the poor areas was of great importance economically and politically. Over the years, the region's government at various levels has done a lot in terms of developing production and improving the livelihood of the poor areas. They have had great success. But the economic development of the areas is still very slow and the people's living standard is still very low. Therefore, all this has become a most urgent task. Governments at all levels must attach great importance to this work.

[The session also listened to and discussed the report on the region's situation concerning sports work, which was delivered by (Zhang Shuwu), chairman of the regional sports committee, on behalf of the regional people's government.]

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CSO: 4006/828

PROVINCIAL AFFAIRS

SICHUAN HOLDS ECONOMIC, TECHNOLOGICAL COOPERATION CONFERENCE

HK130808 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Text] The provincial conference on economic and technological cooperation work pointed out that it is necessary to persist in reform, to regard the raising of economic results as the focal point, to develop more deep going and extensive economic relations and cooperation among enterprises and regions, and to strive to fulfill the province's plans for national economy and social development.

This conference was held in Chengdu and lasted 8 days. The representatives attending the conference studied the spirit of the national conference on economic and technological cooperation work, summed up last year's work experience and discussed the tasks of this year's work. It is essential to grasp several aspects of the main work this year:

1. It is necessary to vigorously develop economic relations among regions, between urban and rural areas, between defense industry enterprises and enterprises for the production of products for civilian use, between scientific research units and production units, and between production enterprises and circulation enterprises. By developing economic relations and cooperation, we must gradually set up large and small economic combines.
2. It is essential to shift the focal point of economic relations and cooperation to technological cooperation, to speed up the technological progress of local medium and small enterprises and township and town enterprises and to promote the all-round development of agriculture, forestry, animal husbandry, sideline production, and fisheries.
3. It is imperative to do a good job in cooperation in supplying materials to commercial and trading enterprises to meet the needs of production and construction so as to promote the steady increase in production.

Vice Governor Gu Jinchi spoke at the conclusion of the conference.

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CSO: 4006/828

PROVINCIAL AFFAIRS

ZHEJIANG'S URBAN, RURAL MARKETS PROSPER UNDER REFORM

Hangzhou ZHEJIANG RIBAO in Chinese 1 Oct 85 p 1

[Article: "Reform of Economic Structure Promotes Development of Commodity Economy: Urban and Rural Markets in Zhejiang Exhibit Scene of Prosperity"]

[Text] Because of our adherence to the principles of reform, opening up to the outside, and microeconomic stimulation, urban and rural markets in Zhejiang have become more and more prosperous and active. From January to August this year, retail sales of the province's social commodities increased by 30.5 percent over the corresponding period last year, for the largest such margin of increase in our history.

The deepening reform of our economic structure has promoted the development of industrial and agricultural production; commodity circulation volume has further expanded; and the standard of living has continued to improve. Since the beginning of this year, sales of food, clothing and daily amenity commodities in our state-run commercial enterprises increased by a large margin. According to statistics up to the end of August, more than 33 million washing machines were sold, a 1.4-fold increase over the corresponding period last year; more than 27,000 refrigerators were sold, a 4.5-fold increase; more than 150,000 audio cassette recorders, a 1.3-fold increase; 239,000 television sets were sold, 54,000 of which were color sets, increases of 100 percent and 21 percent, respectively. Pure cotton cloth, mixed cotton cloth, soap, cleaning powder, bicycles, and the like, also enjoyed varying degrees of growth. Many medium and superior quality commodities, especially household electric appliances, have already entered ordinary households in the cities as well as the countryside.

The reform of our circulation system has promoted the rapid development of collective and individual commercial enterprises. According to available statistics, of the province's commodity retail sales from January through August, the proportions of collective and individual commercial enterprises increased by 3 and 4.2 percent respectively over the corresponding period of the previous year. Because of an increase in the number of operational sales outlets and an expansion commodity circulation, there has been a conspicuous change in which the masses experienced "difficulties in selling" and "difficulties in buying." After the purchase of pigs and vegetables was completely deregulated, the market has become even more active.

9255

CSO: 4006/244

PROVINCIAL AFFAIRS

BRIEFS

SHANXI SCHEDULES SESSION--The 17th meeting of the Sixth Provincial People's Congress Standing Committee concluded in Taiyuan on 8 March. The meeting decided that the fourth session of the Sixth Provincial People's Congress will be convened in Taiyuan on 7 May. The meeting held: Economic crime is still rampant in the province and many criminals have not been punished by the law. Generally speaking, problems of lack of strictness in enforcing the law and failure to crack down effectively still exist. This state of affairs must be vigorously reversed. We must unswervingly carry out the struggle against serious economic crime. [Excerpts] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 8 Mar 86] /9599

CSO: 4006/828

ECONOMIC PLANNING

WEN WEI PO ON ASPECTS OF FEASIBILITY OF SANXIA SCHEME

HK130801 Hong Kong WEN WEI PO in Chinese 9 Mar 86 p 3

[Article: "Corporation Concerned Clarifies Misunderstandings in Dispute over Pros and Cons of Sanxia Scheme" -- passage within slantlines published in boldface]

[Text] Editor's note: Last year this newspaper published excerpts of the CPPCC National Committee's investigative report (called the "report" hereafter for short, it was published in the Window on China Page on 23 December) on the question of building dams at Sanxia on the Chang Jiang. Not long ago, the consultancy group of the China Sanxia project development corporation (preparatory) compiled a statement of views (called the "statement" hereafter for short) and sent it to us. Excerpts: [end editor's note]

The "statement" did not express its views on the "basic conclusions" of the "report" on the unfeasibility of starting the Sanxia scheme in the near future. However, it pointed out that some arguments in the "report" do not quite conform to objective reality and are apt to cause serious misunderstandings and confusion of understanding."

/1. The question of investment/ The "statement" held: The "report" calculations put the per-unit kilowatt investment in the Sanxia scheme at more than 4,000 and 2,000 yuan respectively. However, since the compensation figures for the flooded land were obtained from the reports of local cadres alone, without the verification of the authorities concerned, it is inadvisable to take them as a basis. According to the usual practice, the investment in the building of transformer substations for the transmission of power to other areas should not be included. There are indeed some problems concerning the price rises which were routinely listed as "unforeseeable expenses." However, the state has not instituted a system of price indexing, nor has it made any stipulations to that effect. This is a universal problem in capital construction projects throughout the country, not characteristic of the Sanxia scheme alone. According to state regulations, interest should not be included in the scale of investment either.

The "statement" held: The loss incurred by temporarily storing an extra amount of flood water in the Sanxia project is calculated to prevent a bigger loss in the lower reaches. In the event of the worst flood for century, the existence of dams at Sanxia necessitates the temporary removal



of 90,000-odd people and the flooding of 50,000-odd mu of land; failure to build the dams, however, necessitates the temporary removal of 1.05 million people in the lower reaches of the river and the flooding of 1.6 million mu of land, which constitutes a much bigger loss.

/2. The flood-revention role of the Sanxia scheme/ The "report" held that the Sanxia scheme will not play much role in the middle and lower reaches of the Chang Jiang. The "statement" pointed out, however, that river flooding is actually the main source of floods in the middle and lower reaches of the Chang Jiang. In the high-water seasons of catastrophic floods this century, some 60-80 percent of the flood water came from Yichang. The river floods in 1860 and 1870 brought grievous losses to Hunan and Hubei. The Jing Jiang dam could not cope with a flood of more than 80,000 cubic meters. This kind of catastrophic flood has occurred 13 times in the past 800 years. For this reason, the construction of the Sanxia project is not without its significance.

The "statement" also pointed out: According to the original design, even plan No. 180 for the Sanxia scheme, which is calculated to store water at a depth of no more than 180 meters, will not aggravate flood disasters in the upper reaches. As for the idea of building reservoirs on tributaries in the storm regions and flood sources, we have built 80 reservoirs since the founding of the PRC and the construction of a few dozen more is under way. However, because of the large number of tributaries in the vast Chang Jiang basin, these reservoirs fail to solve our problem once and for all.

/3. The benefits of electricity production/ The "statement" held: Compared with the 20 hydroelectric power stations built on the tributaries of the Chang Jiang, the Sanxia scheme involves less earth, stone, and cement work and the evacuation of fewer people in terms of each kilowatt of electricity generated. Although it takes 2-3 years longer for the power stations at Sanxia to generate electricity than for other power stations of a similar size, their output rate is highly superior to that of other power stations because they have much greater staying power.

Moreover, building power stations at Sanxia does not preclude the construction of other power stations. According to our plan, it will be necessary to build power stations both at Sanxia and in other places in order to meet needs in the next century.

/4. The question of silting up/ The "statement" pointed out: The silt carried by the Chang Jiang waters did not show an increase from the mid-fifties to the mid-seventies. The silt in the past few years has been greater than the average over the years, but this does not prove that the silt carried by the waters of the Chang Jiang is on the increase. The reservoirs at Sanxia are of the river type. During the high-water seasons, it will be easier for them to discharge silt than for reservoirs of the lake type.

In the Sanxia scheme, we have considered taking appropriate, comprehensive measures to solve the problem of the waterway silting up at the backwater sections, where the discharge of water and silt slows down unfavorably.

/5. The question of shipping/ The "report" held that the Sanxia scheme has curtailed the freight volume of the Chang Jiang. The "statement" pointed out, however, that, after the completion of the reservoirs at Sanxia, due to the difference in the water levels, the dangerous shoals will be largely or basically flooded by backwaters. For this reason, the freight volume of the Chang Jiang will not be curtailed. An analysis of the achievements in scientific research shows that by rationally selecting water levels with different characteristics we can prevent Chongqing port and the Jialing Jiang from being choked with silt.

The "statement" pointed out: Following an inspection tour abroad by the experts concerned, there is no longer any dispute over the feasibility of using large vertical ship lifts. Other experiments and studies are being conducted to determine the effect on shipping occasioned by an unsteady flow of water into the power stations, the silting up of waterways, and the tangential movement of the riverbed at the lower reaches.

/6. The question of removing people/ The "statement" pointed out: The State Council has entrusted the preparatory group of Sanxia Province with organizing forces to make plans and experiments. Correct conclusions can be drawn only after a great deal of meticulous work has been carried out.

/7. The question of the safety of the reservoirs/ Quoting the conclusions of a symposium on the geological structure of Sanxia, the "statement" pointed out: The laws governing the collapse of and landslides at the embankments of reservoirs have been basically made clear, but the possibility of a collapse or a landslide and their likely development after the storage of water do not hamper the construction of the Sanxia project. With the expansion of water areas and the raising of water levels after the completion of the reservoirs, the question of water transport being hampered by rock collapses or landslides will be alleviated to a larger extent than under normal conditions. The "report" held that the landslide at Xintan last year was caused by a rise in the water level after the Gezhou dam began storing water. The "statement" pointed out that this did not conform to the facts. In truth, the landslide at Xintan was first caused by a landslide in the upper section, bringing about a landslide in the lower section.

The "statement" pointed out: Studies of the cause of earthquakes are still in the exploratory stage. No final conclusions have yet been reached on this issue at home or abroad. There is no precedent in the world for an earthquake caused by a reservoir bringing about the collapse of a big dam. Our expert geological team holds that the question of causing earthquakes does not play a decisive role in the decision to build dams at Sanxia.

/9716

CSO: 4006/837

## ECONOMIC PLANNING

### GUIZHOU INSTRUCTIONS ON WORK IN POOR AREAS

HK080355 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 7 Mar 86

[Excerpts] The provincial CPC Committee and government recently issued instructions on improving work in poor areas. The instructions called on the party committees and government at all levels to fully understand the importance and urgency of improving work in these areas, strengthen leadership, summon up resolve and effort, and regard eliminating poverty and enriching the people in these areas as a major affair. The great majority of the masses in these areas should increase their real income each year.

The instructions said: Proceeding from the existing economic foundation in the poor areas of Guizhou, our main goals of endeavor are, after about 5 years of effort, to make a start in exploiting the main resources and taking advantage of the natural strong points of these areas, to further increase the net incomes of the peasants and residents, and to basically solve the food and clothing problem there. In addition some households there should get rich ahead of others. On this basis, we should continue to work hard to improve the production conditions, raise production capacity, and develop commodity economy. By the end of the century the rural production structure of the province's poor areas should be rational and their economic level should approach the province's average level.

The guiding idea for supporting these areas is to improve their capacity for self-reliance. It is necessary to base policies and measures on the reality of these areas and act in light of local conditions.

We should set up vocational and technical schools in a planned way or else organize vocational classes in ordinary secondary schools. Colleges and universities should enrol more students from poor counties.

We should encourage enterprises to promote economic and technical cooperation or joint ventures with poor areas. We should give these areas favored treatment in loans, taxes, and post-tax profit retention.

/9716

CSO: 4006/837

## ECONOMIC PLANNING

### GUIZHOU LEADER SPEAKS ON ECONOMIC REFORM ISSUES

HK090533 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Excerpt] The provincial economic work conference held a full session on 8 March, at which Provincial Economics Commission Director (Yi Yunian) delivered a speech entitled "Persevere in reform, strengthen management, and speed up economic development in Guizhou."

He said: Guizhou's economy developed to a certain extent during the sixth 5-year plan, but not much progress was made in comparison with the country as a whole, and we have not narrowed the gap between ourselves and the others at all. In order to achieve the grand goal of doubling, narrow the gap between Guizhou and the national average, and transform Guizhou's economic backwardness as soon as possible, we must speed things up and develop our economy at a rate slightly higher than the national average.

As commissioned by the provincial government, (Yi Yunian) outlined the following main arrangements for work this year:

1. Continue to promote reform of the economic structure centered on invigorating the enterprises, especially the large and medium enterprises, and enable more of these enterprises to develop.
2. Do a good job in organizing this year's industrial and agricultural production and ensure that the goals of endeavor for the year are accomplished.
3. Improve enterprise management and enhance enterprise quality.
4. Carry out technological transformation with the focus on key points, and spur technological progress.
5. Strengthen quality control and improve product quality..
6. Seriously reduce energy and input consumption.
7. Continue to reform the circulation setup, and focus on promoting regulation by market mechanism.
8. Step up ideological and political work and improve the quality of the work force.

/9716

CSO: 4006/838

7 April 1986

## ECONOMIC PLANNING

## HEBEI PEOPLE'S CONGRESS MEETING CONCLUDES 28 FEB

SK111512 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT  
28 Feb 86

[Text] The 18th Standing Committee meeting of the 6th provincial People's Congress concluded in Shijiazhuang on the afternoon of 28 February after a 5-day session. The meeting decided to convene the Fourth Session of the Sixth Hebei Provincial People's Congress in Shijiazhuang on 25 April, and suggested that the examination and approval of the provincial Seventh 5-Year Plan be listed as a main agenda item of the forthcoming congress session.

Sun Guozhi, chairman of the provincial People's Congress Standing Committee, presided over the meeting. Present at the meeting were Wu Qingheng, Yue Zongtai, Pan Chengxiao, Liu Ying, Zhang Kerang, Wang Yu, Han Qimin, Du Benjie, and Wang Youhui, vice chairmen of the provincial People's Congress Standing Committee. Wang Zuwu, vice governor of the province; (Wang Yugong), vice president of the provincial Higher People's Court; (Liu Zongxin), deputy chief procurator of the provincial People's Procuratorate; and responsible persons of relevant departments of the provincial People's Government attended the meeting as observers.

At the meeting held on 28 February, the members also adopted the regulation of Hebei Province on all-people voluntary tree planting and some personnel changes. When discussing the report made by the provincial People's Government on the implementation of the PRC law on medicine control, the members called on people's governments at all levels to continually organize forces to conduct a comprehensive and penetrating supervision and investigation of the production, handling, and utilization of medicines, and give play to the role of the departments in charge of the medicine administration, medicine inspection, and industrial and commercial administration. Those who violate the law should be punished according to the law on medicine management and other relevant regulations.

While discussing the report made by the provincial People's Government on dealing strict blows to criminal offenders and on the current social order and public security, the members maintained that our province has already won a big victory in the campaign of dealing strict blows to serious criminal offences in the past 2 years, and has basically removed the confusion in social order and public security. Now the entire social order is tending toward stability, and large numbers of the masses have strengthened their sense of security. The members expressed their satisfaction at such a situation.

/9716

CSO: 4006/838

ECONOMIC PLANNING

HEILONGJIANG PEOPLE'S CONGRESS STANDING COMMITTEE MEETS

SK120419 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT  
10 Mar 86

[Text] The 20th Standing Committee meeting of the 6th Heilongjiang Provincial People's Congress was convened in Harbin on 10 March. The items on the agenda of the meeting were to examine and discuss the draft regulations on the 9-year compulsory education, the draft regulations on the management of the publicly-owned urban real estate, and the draft report on the outline of the national economic and social development during the Seventh 5-Year Plan period delivered by the provincial government; to examine and discuss the report on the law and discipline inspection work delivered by the provincial procuratorate, and to work out relevant resolutions; to examine and discuss the draft resolutions on convening the fourth session of the sixth provincial People's Congress, and the suggestions on establishing the committees made by the provincial People's Congress Standing Committee; and to adopt items of cadres appointments and removals.

Li Jianbai, chairman of the provincial People's Congress Standing Committee, presided over today's meeting. Present at the meeting were vice chairmen of the provincial People's Congress Standing Committee, including Chen Yuanzhi, Lu Guang, Wei Zhimin, Wang Jinling, Liu Huixian, Wang Pili, Wang Zhaozhi, Wang Jun, Zhao Zhenhua, and Zhang Ruoxian. Attending the meeting as observers were Liu Zhongli, vice governor of the provincial government; and Zhang Li, president of the provincial Higher People's Court.

The meeting listened to the explanations of the draft regulations on the management of the publicly-owned urban real estate made by (Zhou Shuping), vice chairman of the provincial Construction Committee; the report on the law and discipline inspection work delivered by (Lu Wenqi), deputy chief procurator of the provincial People's Procuratorate; and the explanations of the draft resolutions on convening the fourth session of the sixth provincial People's Congress and the explanations of the suggestions of the provincial People's Congress Standing Committee on establishing committees made by Zhang Ruoxian, vice chairman of the provincial People's Congress Standing Committee.

/9716  
CSO: 4006/838

ECONOMIC PLANNING

HENAN GOVERNOR RESEARCHES SOUTHWESTERN HENAN DEVELOPMENT

HK110921 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Excerpts] From 28 February to 7 March Provincial Governor He Zhukang led responsible comrades of 12 provincial departments and commissions, including the provincial economic commission, the provincial planning commission, the provincial finance department, the provincial agriculture and animal husbandry department, the provincial water conservancy department, and the provincial communications department, to conduct research and investigation in southwestern Henan. They discussed with local cadres the important matter of speeding up the development of southwestern Henan and helping people there to get rid of poverty and become rich.

Comrade He Zhukang and others visited three villages which set good examples of getting rid of poverty and becoming rich, namely, (Qishuyuen) village in Nanzhao County, (Datongmiao) village in Zhenping County, and (Xiaoxiguan) village in Dengxian County.

Comrade He Zhukang said that the experiences of these villages are good and typical. It is necessary to give much publicity to and promote the experiences. As seen from these typical examples, the masses have a vast reservoir of enthusiasm and creativity. Provided that our policies are correct, our leaders are competent, and our measures are effective, poor areas can solve the problem of having enough to eat and wear and get rid of initial poverty in 3 to 5 years.

He told the leading comrades at prefectural and county levels that the main task of county level leaders is to help peasants to get rid of poverty and become rich as soon as possible. Party and government should grasp the development of the commodity economy on the one hand and solve the problem of providing the masses with enough to eat and wear on the other.

Regarding how to speed up the development and construction of Nanyang Prefecture, Comrade He Zhukang repeatedly stressed that we must emancipate our minds; boldly blaze new trails; vigorously develop lateral economic links; actively bring in funds, talented people, technology, and equipment from other areas; and make use of strength from outside to speed up the development of our province. We must persist in reform, and vigorously develop socialist commodity production. We must continue to earnestly propagate the party's policies and principles to relieve the masses of

unnecessary worries. We must attach importance to intellectual investment and the exploitation of talented people. In the long run, the key to upgrading the backward people is to develop education. We must develop vocational education and run vocational classes.

In discussions with cadres at prefectural and county levels, Comrade He Zhukang repeatedly stressed that it is necessary to pay serious attention to policies and to properly handle several relationships under the new situation, such as the relationship between straightening out party style, conducting financial and tax examination, and the policy of carrying out reform, opening up to the outside world, and enlivening the domestic economy; the relationship between implementing unified policies and working creatively; the relationship between becoming rich sooner and common prosperity; and the distinction between reasonable burdens and arbitrary charges.

He said that straightening out party style does not contradict with carrying out reform, opening up to the outside world, and enlivening the domestic economy. Only by straightening out party style, is it possible to ensure the smooth progress of carrying out reform and opening up to the outside world. Provided that we always adhere to the accuracy of policies, correctly handle the above relationships, and work in a down-to-earth manner, it is possible for us to consolidate and develop the excellent situation.

Today's HENAN RIBAO also carried this report on its front page.

/9716

CSO: 4006/838



ECONOMIC PLANNING

JIANGXI GOVERNOR ATTENDS PROVINCIAL MEETING ON STEEL

OW040819 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 28 Feb 86

[Excerpts] On 26 and 27 February, the Jiangxi Provincial People's Government held a meeting in Xinyu City on readjusting the overall arrangement, structural reform, and solving various problems in the iron and steel industry in this province. The participants unanimously held that, in order to promote the production of iron and steel, it is necessary to make reasonable work arrangements, solve all problems, and carry out structural reform.

Ni Xiance, deputy secretary of the Jiangxi Provincial CPC Committee and governor of Jiangxi Province; Jiang Zhuping, member of the Standing Committee of the Provincial CPC Committee and vice governor of Jiangxi Province; Vice Governor Gian Jiaming; responsible comrades of concerned provincial departments; as well as experts and scholars, totalling more than 50 people, attended the discussion meeting.

At the meeting, the participants thoroughly discussed how to solve various problems, strengthen coordination and give full play to the advantageous situation in developing the iron and steel industry, and reached a unanimous conclusion.

1. It is necessary to see the problems from a historical viewpoint and fully affirm the achievements of this province in developing the iron and steel industry.
2. During the Seventh 5-Year Plan, it is necessary to lay stress on promoting technological progress in developing the iron and steel industry and concentrate on tapping potential and raising efficiency.
3. It is necessary to make a proper overall arrangement for the development of the iron and steel industry in this province and do a good job in overall planning.
4. It is necessary to carry out reform and promote coordination in production relations.
5. It is necessary to attach importance to unity, implement reform, and increase output of both iron and steel.

/9716  
CSO: 4006/837

ECONOMIC PLANNING

JIANGXI GOVERNOR DISCUSSES OLD LIBERATED AREAS

OW130637 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 11 Mar 86

[Text] The Economic and Technical Cooperation Office of the provincial commission on construction of old liberated areas called a meeting in Ganzhou City today to discuss the economic development of old liberated areas of Ganzhou and Jian and their lateral cooperation with other areas. Attending the meeting were responsible comrades from Guangdong Province and Guangzhou, Shaoguan, Shenzhen, and Meixian Cities; Nanchang, Xinyu, and Jingdezhen Cities; and all departments, commissions, offices, and bureaus directly under the province; as well as representatives from some 20 colleges, universities, and research institutes, 15 export and import companies, and 39 plants, mines, and enterprises.

Governor Ni Xiance and Vice Governor Jiang, Zhuping attended and spoke at the meeting.

In his speech, Comrade Ni Xiance discussed four topics.

One, the current economic situation in Jiangxi: The general guiding ideology for Jiangxi's economic work this year is to continue to advance with greater courage in the two fields and slightly overfulfill the state plan. In the first 2 months of this year, total industrial and agricultural output value increased by 10.8 percent over the same period last year, topping other provinces in the country, while financial revenues increased by 17 percent. If the growth rate is maintained at the current level, we will be able to fulfill this year's strategic goal.

Two, study the characteristics and analyze the causes of economic backwardness in formulating Jiangxi's development policy: Underdeveloped rural economy and weak foundations of diversified economy and village and town enterprises are the primary causes of Jiangxi's backwardness. To invigorate the rural economy, it is necessary to take bolder steps to open up the province and enliven its economy.

Three, fully understand the strategic importance of the economy of old liberated areas in invigorating the economy of the province as a whole: The old liberated areas constitute two-thirds of the area and more than one-third of the population of Jiangxi. Their economic situation is of great importance for invigorating the economy of the entire province. There are rich mineral

and other natural resources in the old liberated areas, which are also strategically located. If we optimally utilize these advantages, we will be able to develop Jiangxi's economy at an even faster pace.

Four, principles and measures for accelerating the economic development of old liberated areas: The guiding principle for promoting economic development in old liberated areas is to give priority to developing productive forces. In order to vigorously develop productive forces, it is necessary to build unique production bases in these areas on the basis of the principle of mutual benefit. It is also necessary to provide preferential treatment in order to attract investment, technology, and talented people and carry out economic cooperation with corresponding departments of other localities.

/9716

CSO: 4006/838

## ECONOMIC PLANNING

### LIAONING OUTLINES TECHNICAL RENOVATION ARRANGEMENTS

SK280115 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 26 Feb 86

[Text] The provincial planning conference that is in progress has stressed that conducting technical renovations with high standards and a starting point among the existing enterprises and rebuilding or expanding them constitutes a fundamental way to accelerate the pace of developing the economy in our province during the implementation period of the Seventh 5-Year Plan.

During the period, our province is one of the regions that has been designed by the state as a center for conducting technical renovations. The investment assigned to our province for technical renovations will be 18.7 billion yuan. It will be chiefly used to conduct technical renovations in the energy resources, raw materials, machine-building, and electronics industries as well as the light and textile industries. It will also be assigned to enterprises that are of vital importance to the whole situation of the national economy and that can play a model and leading role on their own front, and those that can assume the tasks of promoting exports and earning foreign exchange after conducting technical renovations. The province has decided to concentrate on encouraging 226 backbone enterprises to do a good job in conducting technical renovations in order to enable their techniques, technology, and management to reach advanced standards domestically and abroad. It has also been decided to concentrate on reforming or developing 503 major industrial products in order to strive to enable them to reach the standards scored at the end of 1970's and at the beginning of 1980's. On this basis, efforts should be made to encourage various industries and trades to change their technical foundations and managerial standards into modern ones in order to enable our old industrial base to radiate its production vigor.

In order to fulfill the target, the provincial planning conference has put forward the following three changes that must be completely carried out by the province in technical renovations:

1. Efforts should be made to truly shift endeavors from increasing the product variety and production capacity to ensuring the production of major products and upgrading technical standards, and to give priority to conducting technical renovations among the key industries, enterprises, and products.

2. Efforts should be made to change the principle of chiefly relying on state loans and material supplies distributed under the unified plan to chiefly relying on self-generated funds and self-collected materials.

3. Efforts should be made to change the practice of concentrating on introducing outside advanced technology to integrating technical imports with technical digestion and assimilation, and to place the work emphasis on technical digestion. Effective in 1986, a good job should be done in making arrangements for technical digestion and assimilation when arranging technical imports in order to promote technical progress among the enterprises.

/9716

CSO: 4006/838

7 April 1986

## SHANDONG REPORTER DISCUSSES ASPECTS OF ECONOMIC WORK

SK111548 Jinan Shandong Provincial Service in Mandarin 2300 GMT 9 Mar 86

[Text] According to information obtained by our station reporter at the provincial economic work conference, our province has focused this year's industrial, communications, financial, and trade work on persisting in reform, enlivening enterprises, laying a good foundation, strengthening management, paying attention to development, increasing reserve strength, improving efficiency, and creating more foreign exchange in order to ensure that the two civilizations advance simultaneously. The major targets are as follows: With regard to the industrial output growth rate, we should ensure a 12-percent increase and strive for a 15-percent increase. We should further create good economic results and strive to increase profits, taxes, and revenue at the same pace. Notable achievements must be scored in upgrading product quality and reducing consumption. We must make new progress in technological transformation and ensure that 80 percent of the technological transformation items are put into production. We should expand exports to increase foreign exchange and strive for a more than 15-percent increase in the value of commodities procured for export. Efforts should be made to enliven the circulation field and make good arrangements for market supplies. The province should register a 15-percent increase in the volume of the retail sales of commodities. All localities should speed up the construction of transport, postal, telecommunications, and communications projects.

Efforts should be made to strengthen intellectuals development. Some 5,600 factory head and managers of enterprises run by the units at or above the county level should be organized to sit for the state unified examinations. Achievements must be made in training factory heads, secretaries of the factory party committees, general engineers, general accountants, and general economists. This was what Ma Shizhong, vice governor of the provincial government, had set forth at the conference on 9 March.

Ma Shizhong pointed out: In order to fulfill these targets, we must further correct the ideology for guiding the economic work and conscientiously achieve changes in five fields. We should change the methods of economic management from paying particular attention to the microeconomic activities to strengthening macroeconomic control and improving macroeconomic management. With regard to developing production and increasing reserve strength, the enterprises should change the methods from grasping production items and

production capacity to paying attention to strengthening management and upgrading their quality. With regard to carrying out reform to enliven the enterprises, we should guide the enterprises to tap their potentials by turning their attention from the outside to the inside. With regard to upgrading the economic results, the enterprises should change the methods from relying on increasing production to relying on upgrading product quality and reducing consumption. With regard to the methods for guiding the work, we should change the methods from grasping the material civilization only to persistently grasping the two civilizations. Simultaneously, the industrial, communications, financial, and trade departments across the province should carry out the activities of promoting the advanced emerging in laying a good foundation, upgrading product quality, making progress, strengthening management, and comprehensively upgrading the quality of the enterprises.

/9716

CSO: 4006/838

7 April 1986

## ECONOMIC PLANNING

## SHAANXI PEOPLE'S CONGRESS SESSION OPENS 7 MAR

HK080222 Xian Shaanxi Provincial Service in Mandarin 2300 CMT 7 Mar 86

[Excerpts] The fourth session of the sixth Shaanxi Provincial People's Congress opened in the People's Building in Xian on 7 March. The 640 deputies from all parts of the province and all fronts entered the building at 0800. Executive Chairman Yan Kelun declared the session open at 0900. Other executive chairmen present were Zhou Yaguang, Li Lianbi, Deng Guozhong, Chen Ming, Hou Zonglian, Yuan Zhengting, Yu Ming, Xiong Yingdong, Liu Lizhen, He Chenghua, and Wei Minghai. Also present were leaders of the party, government, army, and CPPCC in the province including Bai Jinian, Zhang Ze, Li Qingwei, and Tan Weixu.

Governor Li Qingwei delivered a report on the execution of the Sixth 5-Year Plan for national economic and social development and the draft of the Seventh 5-Year Plan entitled "Persevere in reform, advance from victory to victory, and strive to accomplish the province's Seventh 5-Year Plan." The report was in three parts: 1) The Sixth 5-Year Plan has been victoriously fulfilled; 2) on the strategic goals and guiding ideas for the Seventh 5-Year Plan; 3) step up the building of socialist spiritual civilization while doing a good job in socialist material civilization.

Li Qingwei said in his report: The Seventh 5-Year Plan is an important period in which we will lay the foundation for Shaanxi's economic invigoration in the 1990's. The draft Seventh 5-Year Plan being submitted to this session states that the strategic goals for national economic and social development in the province during the period of the plan are: Total industrial and agricultural output value should reach 37.5 billion yuan by 1990, more than double the 1980 figure; we should strive to achieve doubling by 1988, 2 years ahead of schedule; and we must work for further development in all undertakings and for further improvement in people's living standards.

The guiding idea for the province's economic work during the Seventh 5-Year Plan is: Guided by the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee, and in accordance with the general demand to build socialism with Chinese characteristics, put reform in the first place, readjust the pattern of the productive forces, vigorously improve work in Guangzhong region and actively support economic development in southern and northern Shaanxi; under the premise of improving economic results,



strive for a higher growth rate; further readjust the production structure and speed up the coordinated development of agriculture, light industry, and tertiary industry; bring into full play and fully tap the potentials of existing enterprises, and speed up the pace of modification and expansion of enterprises; vigorously develop production of civilian goods by the national defense industry; work hard to develop tourism and turn it into a major pillar in invigorating Shaanxi's economy; and, while promoting the building of material civilization, vigorously step up the building of socialist spiritual civilization.

Li Qingwei said: The draft Seventh 5-Year Plan for the province is a plan for simultaneous building of socialist material and spiritual civilization. The government at all levels and all departments must step up education in the situation, tasks, and policies, in the four basic principles, in patriotism and communist ideals, and in socialist morality and discipline. The cultural and publishing departments must combine social benefit with economic results, putting social benefit first. It is necessary to resolutely straighten out unhealthy trends and crack down hard on speculation, swindling, smuggling and peddling contraband, bribery and corruption, and other serious economic crimes. We must popularize common knowledge of the law and strengthen people's concept of the legal system.

/9716

CSO: 4006/838

ECONOMIC PLANNING

BRIEFS

PRESIDIUM HOLDS MEETING--The Presidium of the Fifth Shanghai Municipal CPC Congress held its third and fourth meetings yesterday morning and evening respectively. Comrades Yang Di and Jiang Zemin presided over the two meetings separately. The meetings heard reports on how delegates had discussed the draft resolution on the Shanghai Municipal CPC Committee's report, the draft resolution on proposals regarding the seventh 5-year plan, and the draft resolution on the Shanghai Municipal Discipline Inspection Commission's report. The meetings deliberated and approved these draft resolutions and the formal lists of candidate members and alternate members of the Shanghai Municipal CPC Committee, and members of the Shanghai Municipal Advisory Commission and the Shanghai Municipal Discipline Inspection Commission. The meetings also heard reports on how the delegates had discussed the draft method of election for this congress and how they had selected ballot scrutineers. The meetings decided on the chief ballot scrutineer. [Text]  
[Shanghai City Service in Mandarin 0100 GMT 6 Mar 86 OW]

/9716

CSO: 4006/838

AGGREGATE ECONOMIC DATA

PRC NEWS BRIEFS ON HIGHWAYS, COAL, POWER PLANTS

OW151543 Beijing XINHUA in English 1447 GMT 15 Mar 86

[Text] Beijing, March 15 (XINHUA)--Today's economic news in brief:

Highways

China will add 80,000 kilometers to its existing 600,000 kilometers of highways over the next five years, including some expressways.

Natural Preserves

There are 28 natural preserves on the Hainan Island. The preserves have a combined area of 86,660 hectares.

The island has more than 300,000 hectares of virgin forest, and 42 of its 4,200 plant species are rare ones protected by law.

Underground Hot Water in Beijing

Hot water reserves have been found some 1,000 meters under an area of 100 square kilometers in Beijing.

There are now 70 wells in the city, which ejects hot water at least 38 degrees centigrade.

Washed Coal Residue

China has developed a method to make it possible for the residue from coal washing to be used as fuel.

China's coal washing plants now discharge a total of five million tons of residue.

Tidal Power Plant

An experiment tidal energy electric power plant has been incorporated into the East China power grid.

The plant in coastal Jiangxia, Zhejiang Province, has five generating units and is able to produce 10 million kwh a year.

/9716

CSO: 4020/239

AGGREGATE ECONOMIC DATA

HEBEI COMMUNIQUE ON ECONOMIC, SOCIAL DEVELOPMENT

SK130730 Shijiazhuang HEBEI RIBAO in Chinese 25 Feb 86 p 2

["Statistical Communique" on 1985 national economic and social development of Hebei Province issued by the provincial Statistical Bureau--date not given]

[Text] In 1985, under the leadership of the provincial CPC committee and government, the people throughout the province further implemented the policy of enlivening the domestic economy and opening to the outside world, and carried out an overall economic reform, thus stimulating vigorous national economic and social development, and achieving encouraging results in promoting both material and spiritual civilizations. The total social product of the year was 73.46 billion yuan, an increase of 13.8 percent over 1984. (footnote 1) The total social product is the sum of the total output value of agriculture, industry, building trade, transportation, post and telecommunication, and commerce (including the supply and marketing of materials and equipment, and the catering trade). The national income is the sum of the net output value of the five above-mentioned material producing departments. All figures for the various output value, the national income and the total value of domestic production cited in this communique are calculated in terms of 1985 prices, and the rate of growth over the previous year is calculated on comparable prices.) Of the sum, the output value of industry and agriculture was 59.43 billion yuan, a 14.7-percent increase, and the national income was 32.94 billion yuan, a 12.1-percent increase. According to rough calculation, the total value of domestic production was 37.43 billion yuan, an increase of 11.4 percent over the previous year. (footnote 2) (The total value of domestic production is calculated in terms of the statistical standards of our country, that is, the value of the final products and labor service provided to society by material producing departments and nonmaterial producing departments (excluding offices, organizations, and other fourth-level departments), which excludes the value of the products and labor service consumed in the intermediate process.) The major targets for the national economy as stipulated in the "Sixth Five-Year Plan" were fulfilled or overfulfilled. On the basis of continued development in production, markets were thriving, revenues, and expenditures were balanced, and the income of urban and rural residents increased. Major problems in the national economic development were the outstripping of social demand over social supply, too large a scale in the investment in social fixed assets, continued shortage in the supply of energy, a failure in making market commodity

supply catch up with the increase in the people's purchasing power, and a rather large increase in retail commodity prices, in particular those of nonstaple foods.

## 1. The Rural Economy

In 1985 the rural areas throughout the province further readjusted their production structure, reformed the monopolized and the fixed-quota purchases of farm products, reaped the fourth good harvest in succession, and maintained a trend of vigorous development in the rural economy. The total rural product of the year reached 31.09 billion yuan, an increase of 15.1 percent over the previous year. (footnote 3) (The total rural product includes the agricultural output value of the units owned by the whole people, the collective and the individual, the output value of the industrial enterprises of towns and townships, villages, and the units below the village level, and the total output value of rural building trade, communication and transportation, commerce, and catering trade.) Of the sum, the output value of rural industry, building trade, transportation, and commerce totaled 14.63 billion yuan, a 33.2-percent increase over the previous year, and their proportion grew from 39.9 to 47.1 percent. The agricultural output value was 16.46 billion yuan, an increase of 3.3 percent over the previous year. (footnote 4) (The agricultural output value is calculated according to the new standards stipulated by the state, that is, the industry run by the units at and below the village level is included in the industrial output value, not in the agricultural output value.) If including the output value of the industry run by the units at and below the village level, the output value was 23.57 billion yuan, an increase of 14.5 percent over the previous year. In the agricultural output value, the output value of cropping was 12.12 billion yuan, a decline of 1.8 percent; that of forestry 560 million yuan, an increase of 4.6 percent; [word indistinct] animal husbandry 3.12 billion yuan, an increase of 31.1 percent; and that of fisheries 140 million yuan, an increase of 26.2 percent.

The structure of cropping was readjusted by a fairly large scale. Cotton fields were reduced by 2.949 million mu from the previous year, and the areas sown to oil-bearing crops increased by 3.432 million mu. Although crop areas declined, grain production maintained a steady growth thanks to rational readjustment of production arrangements, popularization of science, technology, and fine strains, and favorable weather conditions. Except for cotton, major cash crops registered fairly large-scale increases.

The output of major farm products is listed as follows:

	1985	Percentage Increase over 1984
Grain	19.666 million tons	5.2
Cotton	629,000 tons	-40
Oil-bearing crops	869,000 tons	44.8
which included:		
peanuts	580,000 tons	45.4
Beetroot	199,000 tons	59.6
Flue-cured tobacco	5,000 tons	60
Jute, yellow hemp	52,000 tons	380
Fruits	1.6 million tons	18.7

In all, 6 million mu of areas were afforested in 1985; thus, the province overfulfilled the annual afforestation plan by 50 percent. The forest coverage rate reached 13.36 percent.

Animal husbandry developed steadily. Continued increases were registered in the numbers of big animals and of pigs at the year end. Rapid increases were registered in the output of pork, beef, mutton, milk, poultry, and eggs. But the number of sheep in stock dropped.

The output of major animal by-products and numbers of livestock are listed as follows:

	1985	Percentage increase over 1984
output of:		
pork, beef, and		
mutton	819,000 tons	27.6
milk	73,000 tons	32.7
poultry and eggs	334,000 tons	44
numbers of:		
hogs slaughtered	10.185 million head	21.5
big animals at		
year end	4.465 million head	8.6
pigs at year end	14.214 million head	17.7
sheep and goats		
at year end	7.211 million head	- 0.6

Rapid development was made in fishery. The output of aquatic products in 1985 was 128,000 tons, an increase of 21.1 percent over the previous year. Of this, the total catch of fresh-water products was 23,000 tons, an increase of 39 percent, while that of marine products was 105,000 tons, an increase of 17.9 percent.

The equipment for agricultural production improved. By the end of 1985, the total power capacity of farm machines reached 27.13 horsepower, an increase of 9 percent over the previous year. The number of large and medium-sized tractors reached 37,000, a drop of 12 percent from the previous year. The number of small-capacity and walking tractors reached 290,000, an increase

of 25 percent over the previous year. The number of trucks reached 33,000, an increase of 17.9 percent. The figure for irrigation and drainage equipment was 14.34 million horsepower, an increase of 5.1 percent. Of this, greater increases were registered in the number of tractors and vehicles owned by the rural households. By the end of 1985, the rural households possessed 17,000 large and medium-sized tractors, 279,000 small-capacity tractors, and 25,000 vehicles. During the year, 1.104 million tons of chemical fertilizer (calculated in terms of the net amount of the chemical fertilizer applied), a drop of 1.9 percent from the previous year. The consumption of electricity in the rural areas was 4.09 billion kWh, a drop of 0.5 percent.

Through intensifying scientific research on weather forecasting, the meteorological departments had initiatively made contributions to developing production and safeguarding the people's life and property.

## 2. Industry

Through deeply conducting the reform of the industrial production system, in 1985, the province further vitalized the enterprises. Industrial production developed coordinately. The total output value of industry was 42.97 billion yuan, an increase of 19.7 percent over 1984. (footnote 5) (The industrial output value is calculated according to the new standards stipulated by the state, that is, the industry run by the units at and below the village level is included in the industrial output value, not in the agricultural output value.) If not including the output value realized by the industry run by the units at and below the village level, the total industrial output value increased by 14.9 percent over that of 1984. Of this, the output value realized by the state industrial enterprises increased by 10.7 percent, that realized by the collectively owned industrial enterprises increased by 24.3 percent, that realized by the light industrial enterprises was 15.86 billion yuan, showing an increase of 16.6 percent, and that realized by the heavy industrial enterprises reached 20 billion yuan, showing an increase of 13.4 percent.

The output of 45 of the 60 major industrial products met or topped the annual production plans, accounting for 75 percent of the total. The output of the rest 15 products, such as chemical fertilizer, insecticides, and household washing machines, failed to attain the production plans.

The economic results scored by the industry in 1985 were improved. The labor productivity of the state-run industrial enterprises that are conducting independent accounting reached 12,468 yuan, a 6.9-percent increase over the 1984 figure. The comprehensive energy consumption per 100-million-yuan output value among the key industrial enterprises reached 325,000 tons, an 1.4-percent decrease from the 1984 figure. These enterprises saved 521,000 tons of standard coal in 1985. The state-run industrial enterprises covered by the local budget throughout the province showed an 11.2-percent increase in their profits and taxes over the 1984 figure. However, these enterprises' capability in conducting self-digestion was lower than before and the gross cost of the comparable

products showed a 7-percent increase over the 1984 figure. No marked improvement was achieved in the quality of products and the enterprises that had suffered from losses incurred an increase in their deficit volume over that of 1984.

The output of major industrial products is listed as follows:

	1985	Percentage increase over 1984
Yarn	233,000 tons	7.1
Cloth	1 billion meters	1.1
Silk fabrics	32.127 million meters	33.3
Woolen goods	4.087 million meters	35.9
Cigarettes	677,000 cartons	- 9.6
Machine-made paper and paper board	467,000 tons	16.1
Chemicals	35.855 million tons	21.4
Bicycles	993,000	- 1.4
Wristwatches	740,000	13.8
Television sets	290,000	31.4
of which:		
color TV sets	49,000	16.5
Household washing machines	26,000	-12.6
Radio sets	279,000	-23.4
Cinema films (35mm)	98.667 million meters	24.5
Raw coal	60.076 million tons	6.7
Crude oil	10.31 million tons	1.0
Power output	26.29 billion kwh	8.9
Pig iron	2.843 million tons	9.5
Steel	2.491 million tons	8.0
Rolled steel	1.915 million tons	9.3
Cement	9.427 million tons	21.4
Plate glass	7.795 million standard cases	19.9
Sulfuric acid	145,000 tons	-67.7
Chemical fertilizer	898,000 tons	-18.7
Agricultural chemicals	8,600 tons	-20.4
Small-capacity tractors	65,000	14.4
Tractors	559	41.2
Motor vehicles	8,332	94.2

### 3. Investment in Fixed Assets and the Building Trade

In 1985 the province further enhanced the construction of key projects and technical innovations and updating among the enterprises, and achieved a new progress in reforming managerial systems. Both urban and rural areas invested 10.96 billion yuan in fixed assets, a 29.4-percent increase over the 1984 figure. Of these investments, the state-run units invested 6.29 billion yuan, a 26.9-percent increase over the 1984 figure; the collective-run units in both urban and rural areas, 1.64 billion yuan, a 32.2-percent increase over the 1984 figure; and the individual investments in both urban and rural areas showed a 26.5-percent increase over the 1984 figure.



Of investments in fixed assets by the state-run units, those in capital construction reached 3.48 billion yuan, a 26.9-percent increase over the 1984 figure; and those in local projects reached 3 billion yuan, a 60.8-percent increase over the 1984 figure. The province fulfilled the annual plan for investments in fixed assets calculated in term of comparable items by 97.3 percent. Of investments in capital construction, those [word indistinct] the state budget reached 1.5 billion yuan, a 6.4-percent decrease from the 1984 figure; those by domestic loans, 610 million yuan, a 150-percent increase over the 1984 figure; those by foreign funds, 63.28 million yuan, a 40.4-percent decrease from the 1984 figure; those in the project of replacing oil with coal, 120 million yuan, an 8.9-percent decrease from the 1984 figure; those raised among individuals, 580 million yuan, a 2.8-percent decrease from the 1984 figure; and those outside the plans, 600 million yuan.

The number of capital construction items that were under construction in 1985 reached 3,209. Of which, 1,717 projects were completely built and put into production. Of these capital construction items, 30 large and medium-sized projects cost 1.16 billion yuan of investments, which accounted for 95.6 percent of the annual investment plan in this regard and 33.4 percent of the total volume of investment in capital construction. In 1985 the province completely built six projects among the eight large and medium-sized items that were required to be completely or partly built within the year. The six projects include the south channel diverting the Luan He water, the No 2 Wannian coal pit in Fengfeng mining area, the Linnancang vertical coal pit in Kailuan mining area, the No 1 expanded generator [word indistinct] in Xingtai power plant, the No 1 generator set in Fengren power plant, and the second-phase construction of the Qinhuangdao coal berth.

New fixed assets investment of the year totaled 3.25 billion yuan, and 93.5 percent of the fixed assets were made available, showing an increase of 18.9 percent over the previous year. However, the rate of local capital construction put in commission, and that of residential houses completed showed slight decreases from the previous year.

Technical transformation of the existing enterprises was further intensified. Investment in projects involving renewal of equipment and other technical transformation measures, and that for other purposes of the units owned by the whole people totaled 2.81 billion yuan, a 34.2-percent increase over the previous year. Of the sum, the investment in projects involving renewal of equipment and other technical transformation measures was 1.72 billion yuan, up 36.8 percent. Of the investment in projects involving renewal of equipment and other technical transformation, that for the purpose of increasing production, conserving energy and raw materials was 790 million yuan, up 19.2 percent, and that for the purpose of increasing the variety of products and upgrading their quality was 320 million yuan, up 110 percent. Fifty-three percent, or 1,191, of the projects involving renewal of equipment and other technical transformation measures went into operation in the year, increasing by 1.15 billion yuan of fixed assets.

Capital construction investment and the investment in projects involving renewal of equipment and other technical transformation measures of the units owned by the whole people helped add the following major production capacities or efficiency: 2.87 million tons of coal, 1.8 million tons of coal dressing capacity, 225,000 kilowatts of power generating capacity, 694,000 kilovolt-ampere of power transformation equipment of 110,000 volt or above, 337.4 km of power transmission lines, 714,000 tons of cement, 1.65 million standard cases of plate glass, 2 berths with a cargo handling capacity of 20 million tons, 70,000 television sets, 2,200 lines of city telephone, 165,000 square meters of houses for commercial business, 72,310 seats for students, and 2,861 hospital sickbeds.

Further development was achieved in the reform of the management systems of building trade and capital construction. Among the building and installation enterprises owned by the whole people throughout the province, 96.5 percent instituted the contract responsibility system in various forms, and 14 percent of the projects they carried out were undertaken through bidding. In wage distribution, 42.6 percent of the enterprises enforced the system under which contracts were signed to fix the amount of wages for every 100 yuan's worth of finished work, thus invigorating production, and improving labor efficiency. Construction enterprises owned by the whole people created 1.32 billion yuan in output value in the year, showing a 19.5-percent increase over the previous year. When considering price rises, the increase was 7 percent. The per-capita productivity was 7,494 yuan, up 15.1 percent from the previous year.

New achievements were scored in geological work. Units under the provincial geological bureau completed 10,000 meters of machine core drilling, 2.5 percent more than the annual plan. The plans to verify new reserves of iron ore and placer for glass production were overfulfilled. At the same time, reserves of three kinds of minerals not covered by the plan were verified. In 1985 they turned over to the state 32 geological reports on eight large and medium-sized mineral-bearing areas for thorough prospecting, and 25 mineral-bearing areas for initial prospecting.

#### 4. Transportation, Post and Telecommunications

In 1985 communications and transportation departments actively adopted effective measures to raise their transportation capacity, thus substantially increasing their freight and passenger transportation volumes. The volume of goods transported by the Shijiazhuang railway subbureau was 44.63 billion ton-km in the year, a 13.2-percent increase over the previous year, and the volume of passengers transported by it was 11.07 billion person-km, up 19.7 percent from the previous year. The volume of cargo handled by the Qinhuangdao harbor reached 44.19 million tons, 23.5-percent over the previous year, and ranking second in the country. The volume of passengers transported by the Hebei Civil Aviation Bureau totaled 4,018 persons. The gross volume of goods transported by local transportation departments totaled 5.3 billion ton-km, 5.5 percent over the previous year. Of this, the volume of road freight

was 2.31 billion ton-km, a decline of 1 percent, that of waterway cargo 2.84 billion ton-km, up 11.2 percent. The gross volume of passenger transportation was 5.19 billion person-km, an increase of 8.5 percent over the previous year. Of this, the volume of road passenger transportation was .16 billion person-km, an increase of 8.6 percent.

Transportation business undertaken by urban and rural collectives and individuals was vigorous. In 1985 the number of vehicles possessed by individual households and associations totaled 27,611, 30 percent more than the previous year.

Post and telecommunications continued to develop. In 1985 the transactions throughout the province amounted to 126 million yuan, up 13.9 percent from the previous year. The number of letters handled went up 22.4 percent; telegrams handled went up 17 percent; newspapers and magazines distributed up 11.4 percent; and long-distance telephone calls up 12.5 percent. The year-end telephone subscribers in urban areas totaled 99,300 households, up 10.9 percent from the previous year.

Economic results improved somewhat in the transportation and posts and telecommunications departments. In 1985, the per-capita productivity of the Shijiazhuang railway subbureau rose by 11.4 percent. The passenger and freight transportation cost per 10,000 ton-kilometer rose by 6 percent and the profits rose by 8 percent over the previous year. The local transport enterprises' vehicle transportation cost per 1,000 ton-kilometer went down by 8.1 percent from last year. The profits made by post and telecommunications enterprises increased by 113 percent over the previous year. However, the development in the transport, post and telecommunications sectors still could not meet the needs of production and the people's livelihood.

#### 5. Domestic Trade and Materials Supply and Marketing

The urban and rural markets were brisk and prosperous. There was an ample supply of commodities and the supply continued to grow by a large margin. In 1985, the total retail sales of commodities reached 20.44 billion yuan, up 17.5 percent over the previous year. If price increases are factored, the actual increase was 8.9 percent. Of the total retail sales, consumer goods reached 19.97 billion yuan, an increase of 22 percent, and farming materials and equipment reached 3.47 billion yuan, the same as the previous year. Compared with the previous year, of the total sales of major consumer goods of the commercial units run by the state and the supply and marketing cooperatives, the sales of grain dropped by 6.4 percent, edible oil 1.2 percent, fresh eggs 46.7 percent, and pork 32.7 percent; the sales of edible sugar increased by 37.1 percent, and that of woolen piece goods dropped by 1.3 percent; the sales of cotton cloth increased by 16.1 percent, silks and satins 23.9 percent, and watches the same as the previous year; the sales of sewing machines dropped by 19.3 percent, that of television sets increased by 87.3 percent, electric fans 240 percent and washing machines 73.6 percent; the sales of bicycles dropped by 7.8 percent; the sales of refrigerators increased by 650 percent and that of cassette recorders 95.2 percent.

The commodity circulation system reform steadily developed. As of the end of 1985, 60 percent of the province's small state-run retail commercial, catering and service units had implemented the collective management system and about 27 percent of the enterprises were directly turned over to collective ownership or were leased to individuals. The provincial industrial wholesale centers were administered by cities and incorporated with the third-level wholesale centers. There were 77 trade centers of various forms. More peasant households and commune members became shareholders of the supply and marketing cooperatives. The province continued to develop trade fairs and their number rose from 2,274 in the previous year to 2,477. Of the increase, 54 new trade centers were in the cities. The sales volume of the urban and the rural trade fairs reached 3.38 billion yuan, an increase of 45.9 percent over the previous year.

The reform of the circulation system succeeded in promoting the development of the diversified forms of economy. Of the total sales of commodities, the retail sales in the state-owned economic sector reached 8.43 billion yuan, an increase of 8.2 percent while retail sales in the collective sector reached 7.64 billion yuan, an increase of 15.8 percent. The sales in the individual sector reached 3.37 billion yuan, up 38.7 percent. The proportion of retail sales of the state-owned economic units dropped, that of the collective units remained the same as the previous year, and that of the individual units rose from 14.3 percent in the previous year to 17.3 percent. In addition, the retail sales by peasants to nonagricultural residents reached 1 billion yuan, up 73.6 percent.

We smoothly carried out price reform in 1985, and succeeded in promoting the development of commodity economy, and invigorating the urban and rural markets. However, market price increases were too large. In 1985, the general price indices for state purchases of farm and sideline products showed an average increase of 12.2 percent over the previous year. The general retail price index of commodities showed an average increase of 7.8 percent over the previous year, of which the prices of consumer goods rose by 8.3 percent and that of farming materials 4.9 percent. Of the price increases in the urban and rural areas, the urban areas showed an increase of 9.2 percent and the rural areas 7 percent. Of the commodity price increases, the price of fresh vegetables increased by 37.8 percent; meat, poultry and eggs 16.8 percent; aquatic products 13.2 percent; fresh fruits 28.8 percent; grain 21.6 percent; traditional Chinese medicines 4.9 percent; and books, newspapers, and magazines 19.1 percent. The retail prices of clothing, daily necessities, and cultural and recreational goods also slightly increased. The cost of living index for workers and staff members during the year rose by 5.1 percent over the previous year. Of this, the prices for consumer goods rose by 9.2 percent and those for service trades rose by 5.1 percent. The general price index of the trade fairs during the year rose by 10.9 percent over the previous year, of which the urban sector showed an increase of 17.1 percent.

The purchases and sales of the means of production were brisk. In 1985, the province's total purchases made by the supply bureaus showed an increase of 35.4 percent and the total sales increased by 34 percent over the previous year. Of this, coal sales dropped by 10.8 percent, and the sales of rolled steel increased by 15.9 percent, cement 16.9 percent, plate glass 16.9 percent, timber 7.4 percent, and heavy-duty trucks 22.5 percent.

#### 6. Foreign Economic Relation, Foreign Trade, and Tourism

In 1985 the province showed a large increase in foreign trade and its gross volume of exported commodities reached \$1.3 billion, a 70.3-percent increase over the 1984 figure. Of these exported commodities, petroleum reached 3.78 million tons, a 380-percent increase over the 1984 figure, and the export volume of various machines showed a 110-percent increase over the 1984 figure.

The scope of introducing outside technology and utilizing outside funds further increased. In 1985 the province signed the contracts with the outside places on 201 technical items worth \$140 million, a 53.1-percent increase over the 1984 figure, and received \$48.03 million of 52 foreign funds, a 270-percent increase over the 1984 figure. All of these introduced programs will play a promoting and important role in developing the economy in the province.

The province made a steady progress in tourism. In 1985 the tourist departments and the units concerned received 31,997 foreigners, Overseas Chinese, and compatriots from Hong Kong and Macao, who made tours and business trips and visited their relatives in the province, a 45.6-percent increase over the 1984 figure. The province earned 7.147 million yuan of foreign exchange from the tourism, a 38.6-percent increase over the 1984 figure.

#### 7. Science, Education and Culture

Conducting reforms in scientific and technological systems resulted in enhancing the vitality of the scientific research units, and application, research, and technical exploitation also scored marked achievements. In 1985 the province scored 420 major scientific and technological results, 77 items more than the 1984 figure. Of these results, 25 items won the national prize of scientific and technical progress; 286 items won the provincial prize in this regard. The rate of popularizing and applying the scientific and technological results reached 76.7 percent, which earned 660 million yuan of economic returns. In 1985 the province also scored an achievement in developing mountainous areas and overcoming technical difficulties cropping up in developing Heilongjiang area and made greater progress in applying mini-machines and developing the technology for further processing of corn. The ranks of scientific and technological workers were growing steadily. The state-run units throughout the province had 271,100 personnel of natural science and technology, 14,200 more than the 1984 figure, and 256,500 personnel of social science and technology, 6,830 more than the 1984 figure.

Conducting reforms in educational systems promoted the stable development of educational undertakings. In 1985 the province enrolled 363 graduate students, 237 more than the 1984 figure; had 593 graduate students enrolling in schools, 332 more than the 1984 figure; enrolled 21,700 students of general higher educational institutions, 4,123 more than the 1984 figure; had 52,800 students studying in these institutions, 9,659 more than the 1984 figure; enrolled 28,700 students of adult higher educational institutes, 14,400 more than the 1984 figure; had 49,700 students studying in these institutes, 12,500 more than the 1984 figure; and the province also added some specialized courses that did not exist before and increased the number of students for the departments which are short of students.

The secondary educational structure was further improved. In 1985 the province enrolled 33,500 students of secondary specialized schools, 7,037 more than the 1984 figure; had 73,100 students studying in these schools, 5,764 more than the 1984 figure; had 136,100 students of agricultural and vocational middle schools, 31,000 more than the 1984 figure; had 33,000 students of general senior middle schools, 28,200 more than the 1984 figure; had 2,113,700 students of general junior middle schools, 306,300 more than the 1984 figure; enrolled 33,700 students of adult secondary educational institutions, 30,000 more than the 1984 figure; and had 55,100 students studying in these institutions, 50,200 more than the 1984 figure.

The work of making elementary educational universal achieved a new progress. In 1985 the province had 6.013 million elementary school students. The province increased its enrollment rate of school-age children from 97.6 percent in 1984 to 97.7 percent in 1985, and enhanced the preschool education among the children. It had 739,500 kindergarten students, 172,300 more than the 1984 figure, and also achieved a certain development in the education for the blind, the deaf and dumb, and the intellectually handicapped.

The undertakings of culture, journalism, radio and television broadcasting, and publication made new contributions to building socialist spiritual civilization. In 1985 the province made 13 television dramas that were divided into 23 volumes; published 173 new (long) films; published 447 million copies of newspapers, a 10.5-percent decrease from the 1984 figure; published 18,710 volumes of various periodicals, a 110-percent increase over the 1984 figure; and published 239 million books, a 39.1-percent increase over the 1984 figure. The province had 9,120 film projecting units, 181 literary and art troupes, 423 theaters and cinema houses, 172 cultural halls, 104 public libraries, 12 museums, and 193 archives. The province had 7 medium-wave radio stations, 21 frequency modulation radio stations, 8 television stations, and 15 television transmitting and relaying stations with more than 1,000 kw of power.

#### 8. Public Health and Sports

Medical and public health conditions for the people continue to improve. By the end of the year, the number of hospital beds in the province reached 120,900, 9.7 percent more than the 1984 year-end figure. Professional health



workers numbered 153,200, of whom doctors numbered 71,700, down 1.3 percent, and nurses and senior nurses numbered 25,200, up 3.1 percent. Further improvement was achieved in the patriotic public health campaign and the work to prevent and cure diseases.

New successes were scored in sports. In 1985 provincial athletes won 29 gold medals, 12 silver medals and 2 bronze medals at major international competitions, and 44 gold medals, 50 silver medals and 52 bronze medals at national events. They broke seven national records. At the first national junior games, the provincial delegation ranked third in terms of the number of gold medals they won, thus achieving a significant breakthrough in Hebei's sports history of nearly two decades. A total of 2.72 million people met the requirements prescribed by the state standards for physical culture and sports training, and mass sports activities became more extensive.

#### 9. Living Standards

Urban and rural people increased their income, and continue to improve their living standards. According to a sample survey of the incomes and expenses of 4,200 rural households in 42 counties, in 1985 the average annual per-capita net income was 385 yuan, up 11.6 percent from the previous year. When allowing for price rises, the actual increase was 6.5 percent. The average living expenses per capita was 297.6 yuan, an increase of 22.3 percent over the previous year. There were 29 bicycles and 27 watches in every 100 peasants, and there were 70 sewing machines, 17.5 televisions, 4 radio-recorders, and 3.9 washing machines in every 100 peasant households. A sample survey of 990 urban households of 10 cities showed an average annual per-capita income of 677.3 yuan, 22.1 percent more than the previous year. Considering price rises, the actual increase was 12.1 percent. The average annual living expenses per capita was 645.9 yuan, up 27.1 from the previous year. In 1985, 337,000 people in urban areas of the province were given jobs. The number of staff members and workers at the year end reached 5.552 million, 242,000 more than the previous year. The number of urban self-employed totaled 105,000, 23,000 more than the previous year. The annual wages of staff members and workers reached 5.63 billion yuan, an increase of 18.3 percent over the previous year. The actual increase was 4.4 percent when the cost of living increase was considered. Due to a rather large-scale increase in commodity prices, the living standards of some low-income families were affected to a certain extent.

Savings deposits of urban and rural people increased substantially. Urban and rural savings deposits came to 10.9 billion yuan at the end of the year, up 28.8 percent from the previous year.

Living conditions for urban and rural people showed further improvement. In 1985, 5.6 million square meters of residential housing were built in urban areas, and about 45 million square meters were built in rural areas.

Continued development was achieved in support for the people whose livelihood was not assured. In 1985 social welfare units in the province numbered 1,649, taking care of 17,600 people. A total of 72,300 aged, disabled, widowed and orphaned people were supported by rural collectives. Urban poor households and those entitled to special care were supported, and some of them eliminated poverty.

#### 10. Population

According to initial statistics, the 1985 year-end population of the province was 55.5 million, 630,000 more than the previous year.

According to sample survey of the population change of 396 resident (villager) groups in 34 counties (city districts), the 1985 birth rate was 17.04 per thousand, the mortality rate 5.49 per thousand, and the natural population growth 11.55 per thousand, up 0.23 per thousand from the previous year.

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AGGREGATE ECONOMIC DATA

BRIEFS

INDUSTRIAL, AGRICULTURE OUTPUT DOUBLES--Nanjing, March 10 (XINHUA)--Jiangsu, one of China's better developed provinces, has more than doubled its industrial and agricultural output value in the past five years. According to provincial officials here today, the output value of the province reached 126.9 billion yuan in 1985, ranking first among all Chinese provinces, municipalities and autonomous regions. China decided in 1982 to double its national output value of industry and agriculture by 1991. The officials attributed the success to the open policy and the development of rural industry. Jiangsu has developed economic and technical cooperation with more than 20 countries and regions in the past five-year period, including Japan, the United States, the Federal Republic of Germany, Italy, France, Canada, and Hong Kong. The province's 18 sino-foreign joint ventures have so far earned a total profit of more than 10 million yuan, the officials said. The output value of Jiangsu's rural industrial enterprises reached 38.3 billion yuan in 1985--3.5 times the figure for 1980. [Text] [Beijing XINHUA in English 1531 GMT 10 Mar 86 OW]

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7 April 1986

## ECONOMIC MANAGEMENT

## FUJIAN CIRCULAR ON ECONOMIC STRUCTURAL REFORM

OW100606 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 9 Mar 86

[Text] The provincial CPC Committee and the provincial government recently approved and transmitted a report on the focal points of urban economic structural reform for Fujian Province in 1986 submitted by the provincial Commission for Restructuring the Economic System; it has issued a circular in this connection. The circular calls on party committees and governments at all levels to further strengthen the leadership over economic structural reform, always give top priority to reform, and establish a leadership responsibility system for reform at each level in order to ensure the smooth progress of reform.

The circular points out: In restructuring the urban economic system this year, it is necessary to pay attention especially to the following five points:

1. It is necessary to continue to invigorate enterprises by earnestly reviewing the delegation of greater decisionmaking powers to enterprises in all fields; further straightening out the economic relationship between various sectors after the expansion of decisionmaking powers of enterprises affiliated to the provincial government; accelerating the reorganization of government-run corporations; further reducing mandatory planning tasks; setting up a number of export commodity production bases; and adopting effective measures to stop indiscriminate collection of fees and expenses from enterprises to reduce unnecessary burdens on them. At the same time, it is also necessary to perfect the existing wage and bonus systems and other reforms already carried out by enterprises.
2. It is necessary to improve the circulation system. Efforts must be made to enliven the consumer goods market and develop the market of means of production in order to explore and pave the way for opening up and developing the investment market, the technology market, and the labor service market.
3. It is necessary to intensify and perfect indirect macroeconomic control and regulating means and strictly control the investment scale on fixed assets by correctly guiding the direction of investment and improving the scale and structure of financial revenues. On the basis of the second step in substituting profit delivery by taxation, it is necessary to gradually increase the

level of after-tax profit retention by enterprises and to take new steps to reform the banking system.

4. It is necessary to vigorously develop lateral economic cooperation.

5. It is necessary to explore and try out measures to establish a socialist stockholder's system, open up the market of means of production, reform housing rental in cities and towns, expand the scope of arranging retirement funds for workers and staff, reform industrial and economic management organizations, and carry out comprehensive reform in the county-level economic system.

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ECONOMIC MANAGEMENT

HEBEI GOVERNMENT HOLDS CONFERENCE ON PRODUCTION

SK070711 Shijiazhuang HEBEI RIBAO in Chinese 19 Feb 86 p 1

[Excerpts] On the evening of 18 February, the provincial People's Government held a telephone conference to urge prefectures, cities, counties, and the departments in charge of economic management at all levels to make concerted efforts, to grasp current production on the industrial and communications front in the firmest possible manner, and to do a good job in grasping first-quarter production in a down-to-earth manner in order to lay a favorable foundation for fulfilling the annual state plan this year.

Li Feng, vice governor of the province, presided over the conference, at which, Ye Liansong, vice governor of the province, delivered a speech on current production on the industrial and communications front. After analyzing the province's current situation in industrial and communications production, Comrade Ye Liansong pointed out: The fulfillment of the January production plan was not satisfactory enough and did not reach the anticipated target. This phenomenon results from either subjective or objective reasons. The subjective reasons are as follows: 1) In making preparations for this year's production, our province did not take the work into satisfactory consideration, did not make careful arrangements for the work, did not grasp the work firmly, and did not manage the work in a timely manner; 2) some cadres on the economic front have not been clear about the ultrahigh speed and the dialectical relationship between economic returns and the speed of increases, harbored certain wrong impressions, and have had a slack mood; and 3) the ideological and political work has not been carried out satisfactorily among the staff members and workers. The objective reasons are as follows: 1) The supply and demand of electric power has caused a prominent contradiction; 2) the circulation funds of enterprises have been seriously; and 3) the supply of some raw materials has not been sufficient. In order to make a success in the current production of the industrial and communications front, Comrade Ye Liansong put forward the following opinions:

1. Efforts should be made to earnestly analyze the current situation in production and to correctly discern the relationship between speed and results. It is imperative for us to maintain an adequate speed of increase in industrial production, or otherwise it will be difficult for us to achieve better economic returns. Therefore, on the premise of increasing economic

results, we must assuredly show an 8 percent increase in industrial production this year and strive to achieve a 10 percent increase.

2. A good job should be done in continuously conducting reforms in order to reinforce the vigor of enterprises. On the basis of reform results scored in 1985, efforts should be made to further consolidate enterprises, conduct technical digestion, carry forward supplements and achieve further improvement.

3. Efforts should be made to grasp the production of light and textile industries in order to ensure the market supplies and to vigorously increase the output of fine-quality and low-priced products that enjoy brisk sales. Prefectures and the departments should put the production of commodities that enjoy brisk sales and of export commodities on their important production schedule.

4. A good job should be done in conducting the production and management of electric power. The power industry departments must regard as the most important task the work of generating much electricity, offering more supplies, and doing a good job in realistically carrying out this work.

5. Efforts should be made to deal with the problem of a shortage of circulation funds among enterprises. In dealing with monetary affairs, a good job should be done in both curtailing money releases and providing reasonable supplies.

6. Efforts should be made to enhance management over construction projects and to increase reserve strength.

7. Efforts should be made to strengthen leadership over industrial and communications production. Not only the party committees at all levels, but also the administrative leaders at all levels should conduct ideological and political work among the staff members and workers.

At the conference, Li Feng, vice governor of the province, also delivered a speech on the current issues of agricultural production, in which he pointed out: The local authorities should by no means weaken their leadership over agricultural production. They should lead the peasants to not miss farming opportunities and to pay special attention to wheat-field management. The industrial, trade, and water conservancy departments should enhance their support programs to agriculture and spend their limited funds and use their material and water resources on crucial farming occasions in order to strive to reap a bumper agricultural harvest this summer.

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7 April 1986

## ECONOMIC MANAGEMENT

## HEILONGJIANG CONFERENCE ON BLOWS TO ECONOMIC CRIMINALS

SK070514 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 6 Mar 86

[Text] Today, the provincial CPC Committee held a telephone conference on dealing blows to serious economic crimes. Zhou Wenhua, deputy secretary of the provincial CPC Committee, called on the party and government organs and economic departments at all levels to resolutely investigate and handle major and appalling cases and to firmly dampen the aggressive arrogance of the serious economic criminals.

Zhou Wenhua said: In 1985, the province as a whole filed and completed handling more than 4,000 economic criminal cases of various descriptions, of which 303 were major and appalling cases involving 10,000 yuan or more. Although we have scored great achievements in dealing blows to economic criminal activities, we still should not underestimate their seriousness and harmfulness. Zhou Wenhua cited the manifestations in the current serious economic crimes: 1) The major illegal and criminal activities have become prominent and the number of major and appalling cases has increased continuously; 2) the number of illegal and criminal cases committed by corporations has increased by a large margin. In order to reap staggering profits, some state-owned enterprises and establishments, and collective economic organizations have engaged in bribery, speculation, and swindling; 3) the range of economic illegal and criminal activities has become wider; and 4) cases involving the banking, supply, and marketing departments have run rampant.

While touching on this year's tasks, Comrade Zhou Wenhua said: The CPC Committees at all levels and the administrative and economic management departments should uncover the economic criminal activities in each and every department in line with the party rectification work and the principle of being resolute and persistent in doing things, should have courage to tackle difficult problems and to smash the network of connections and the protective layers, and to handle all cases regardless of whom and which units they are related to. In line with the principle of dealing strict and heavy blows to criminals, we should step up our efforts to investigate and handle major and appalling cases and should not tolerate them. In addition, we should strengthen investigations and study, pay attention to dealing blows to corporations which have been involved in crimes, and conscientiously sort out all economic organizations such as new companies and trade centers.

Meanwhile, we should comprehensively tackle all economic problems, conduct ideological and political education among the party members and cadres by citing typical law cases, establish and improve systems, and stop up all loopholes. The CPC Committees at all levels should include the work of dealing blows to serious economic criminals on their agenda, and end the situation in which the temporary organs are unsuitable for long-term tasks.

Zhou Wenhua said: The provincial CPC Committee has decided to change the provincial CPC Committee office in charge of the implementation of the decision on dealing blows to economic crimes into office in charge of dealing blows to serious economic crimes and to make it a permanent organ for dealing blows to serious economic crimes of the provincial CPC Committee. The CPC Committees at all levels should strengthen their future work in line with the decision of the provincial CPC Committee.

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ECONOMIC MANAGEMENT

HENAN COUNTY ACHIEVES GOOD ECONOMIC STRUCTURAL REFORM

HK120641 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Excerpts] Gongxian County, one of the province's 12 experimental counties in economic structural reform, has persisted in reform, open policy, and readjustment, thus achieving remarkable results in comprehensive economic structural reform. A new situation of continuous, steady, and coordinated economic development has appeared in the county. The county's industrial and agricultural output value for 1985 amounted to some 885 million yuan, an increase of 165 percent over 1980. The output value of the county's town and township enterprises in 1985 was 614 million yuan, an increase of 269 percent over 1980.

In view of the county's characteristics of less arable land, more people, and relatively abundant natural resources, the county CPC committee and government have firmly grasped the readjustment of the production structure in the course of reform. Treating town and township enterprises as a breakthrough, they have developed commodity production in a multi-tier way, in various channels, and in various trades. There are now about 14,000 town and township enterprises in the county. Of all 17 towns and townships in the county, the industrial output value of 15 town and townships each exceeded 10 million yuan in 1985, and that of (Huiguo) Town exceeded 1 billion yuan. The development of commodity production and town and township enterprises has promoted the development of agriculture and other production. The percentage of industrial output value in the county's total industrial and agricultural output value increased to 82.6 in 1985, and that of agricultural output value decreased to 17.4. Nearly 200,000 people are now engaged in industry and tertiary industry, accounting for 82.9 percent of the county's total workforce. The percentage of those engaged in agricultural production has now decreased to 17.1. Although the percentage of agricultural output value in the total industrial and agricultural output value decreased, and the number of those engaged in agricultural production has dropped, agricultural production has developed rapidly. The county's agricultural output value increased from 95 million yuan in 1980 to 154 million yuan in 1985.

The economic structural reform has promoted the development of industrial and agricultural production and upgraded the people's livelihood. The total savings deposits of urban and rural residents in the county in 1985 amounted to more than 120 million yuan. The per capita savings deposits in 1985 was 194 yuan. The per capita net income of peasants in 1985 amounted to 432 yuan, an increase of 310 percent over 1980.

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## ECONOMIC MANAGEMENT

### WUHAN APPLIES ECONOMIC LEVERS IN ECONOMIC READJUSTMENT

Beijing RENMIN RIBAO in Chinese 1 Nov 85 p 2

[Article: "Wuhan Municipality Using Economic Levers, Doing Good Job in Readjustment Work; Strengthen the Self-Reform and Development Capability of Our Large and Medium-Sized Enterprises"]

[Text] The planning commission of Wuhan Municipality has adopted the planned goals of our national economy as a guide in comprehensively using economic levers and doing a good job in economic readjustment, thereby succeeding in enabling part of our large and medium-sized enterprises to enhance their vitality and effecting increases in our products for export as well as our foreign exchange earnings.

Since the beginning of this year, assuring the steady increase in financial revenues for the state has required Wuhan to adopt economic approaches such as reducing readjustment taxes, raising depreciation rates, returning submitted depreciation funds, and experimenting with issuing awards for raw material savings to enhance the capability of our large and medium-sized enterprises to effect their self-reform and self-development. Up to the present, it has reduced 5 to 10 percent of the readjustment taxes in the case of 10 large and medium-sized enterprises with more than 5 million yuan of annual profits, a rate of more than 30 percent in readjustment taxes, and less than 600 yuan in average retained profits per person, such as the Gedian Chemical Works of Wuhan. In the case of enterprises whose tasks of technical reform are rather heavy, such as the Wuhan Steel Works, Wuhan Pharmaceutical Plant, and Wuhan Tobacco Plant, it has returned to them all the depreciation funds submitted to the municipality. By these two measures alone, it enabled these enterprises to gain more than 50 million yuan extra to use for their technical reform and technical development.

At the beginning of this year, because of the constraints imposed by factors such as the supply of coal, electric power, and steel products, and the price of raw materials, the economic results of part of our large and medium-sized enterprises were adversely affected. In April, experimental issuing of awards for energy, raw material and, materials savings was carried out among 63 large and medium-sized enterprises in the municipality, which encouraged them to tap internal potential, reduce expenditures, and thereby realize an increase in their production. During the first half of the year, the Wuhan Steel Works, by

utilizing the energy resources and raw and processed materials it had saved, increased its steel production by 300,000 tons. From May to August, the Wuhan Pharmaceutical Plant saved 220,000 yuan of raw and processed materials, with the enterprise itself directly accruing nearly 200,000 yuan. Up to the end of August, the Wuhan Metal Refining Plant saved 314,000 yuan of raw and processed materials, thus succeeding on its own to eliminate 90 percent of a price-increase factor.

Concerning the production of the Wuhan textile industries, directive plans were changed to guidance plans, and contracted product sales were also changed to sales by the enterprises themselves; after this, there emerged a situation in which the textile plants experienced shortages in yarn while the printing and dyeing mills experienced shortage in primary cloth. Authorities of the municipality took the preferential measures of encouraging the printing and dyeing mills to increase their stockpiles in time and, by readjusting the profit retention rate of the textile industries through tax-for-profit substitution, made it possible for the average per capita retained profit of the industries to increase from 282 yuan to 326 yuan. Hence, beginning in April, the situation with the industries exhibited a turn for the better. Because balance among the industries and coordination of their production was achieved, the average monthly profit rate realized by all the industries each month from April to August increased by 1.24 times over that of the first quarter.

In the foreign trade port newly opened by the municipality, there emerged at one time the problem of insufficient supplies for export and only small amounts of business transacted, with only 3.31 percent of the annual plan's export target fulfilled during the first quarter. In response to this situation, the municipal planning commission took the lead and worked with the municipal economic commission, the foreign trade and economic relations commission, the financial, taxation, banking, and materials and supplies departments, and so on, and proceeded, on the basis of carrying out necessary investigation and study, to adopt economic levers in enforcing its readjustment; this resulted in a great increase in the supplies of its products for export. Thus, in the third quarter, the amount of foreign exchange earned by the municipality increased 3.3-fold.

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ECONOMIC MANAGEMENT

BRIEFS

HEBEI ECONOMIC, TECHNOLOGICAL COOPERATION--Hebei Province in 1985 actively developed lateral economic and technological contacts with other provinces, municipalities and autonomous regions of the country. Such contacts were established with 27 provinces, municipalities, and autonomous regions, and 940 million yuan of funds was brought in, a 240-percent increase over 1984. [Summary] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 15 Feb 86 SK] /9599

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7 April 1986

## FINANCE AND BANKING

## SAVINGS DEPOSITS IN NEI MONGGOL INCREASED

Hohhot NEI MONGGOL RIBAO in Chinese 7 Dec 85 p 1

[Article: "During Sixth 5-Year Plan Savings Deposits of Urban Residents in Nei Monggol Show Annual Average Increase of More Than 250 Million Yuan"]

[Text] During the Sixth 5-Year Plan, savings deposits of urban residents in the Nei Monggol Autonomous Region showed an annual average increase of more than 250 million yuan. In the first 10 months of this year alone there was an increase of more than 390 million yuan.

By the end of October the balance for all urban savings deposits throughout the region for the entire year reached more than 1.85 billion yuan, which was 1.98-fold greater than local financial revenue and represented 98.7 percent of capital construction investment, 29 percent of total commodity retail sales and 34.5 percent of the industrial and commercial bank credit balance for the first 10 months of the year. This clearly demonstrates the increasingly marked effect urban savings have on the accumulation of production and construction funds, supporting economic development, stabilizing commodity prices, guiding consumption, and readjusting the standard of living. This year the autonomous region's Industrial and Commercial Bank took the following measures to adapt the overall economic reform to the requirements and maximize the potentials of savings deposits work:

1) Improved propaganda services regarding savings deposits, established more networks, increased the number of service stations and mobile branches to accept deposits. 2) Relied on social forces to greatly develop a system using representatives to conduct bank work. According to statistics, 139 new service networks for specialized savings accounts were opened up in the region from August to October alone. Forty-nine service stations were added and 321 mobile branches were organized that went into the grassroots level in government organs, factories, mines, forestry areas and other units, where more than 2,260 deposits were made, and developed 824 representative savings service networks where 562 deposits from people in enterprises and institutions were made. 3) Shrunk customer waiting time and reduced the number of procedures required to make deposits or withdrawals; purchased and installed 400 computers to calculate savings interest for savings banks and organizations; created convenient conditions for urban residents who wish to open and keep savings accounts.

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CSO: 4006/704

FINANCE AND BANKING

SHANGHAI INSURANCE REVENUE LEADS IN NATION

Shanghai WENHUI BAO in Chinese 8 Dec 85 p 1

[Article by Zhang Debao [1728 1795 1405]: "Insurance Business in Shanghai Develops Rapidly; This Year's Insurance Revenue Tops the Nation"]

[Text] This year revenue from domestic and international insurance fees for the Shanghai branch of the People's Insurance Co. of China may reach a total of 210 million yuan, which will place the firm first in the nation. This shows that the insurance business in Shanghai is rapidly developing into a rising new field. This information was revealed to the reported by Wei Yuanjie [7614 0626 2638], general manager of the aforesaid company.

As the overall reform of the urban economy deepens and the national economy develops, the volume of domestic and international insurance business conducted by the company increases and grows. Since its start in 1980 to the present, the firm covers insurance in the following areas: property, life, agriculture, contract responsibility, and so on. It has also initiated import-export shipping insurance, ship and flight travel insurance, and other forms of insurance used abroad. In addition, the company acts as representative for over 300 foreign insurance firms and 11 shipowners' insurance and compensation associations.

Wei Yuanjie explained that the insurance business plays a vital role in compensating for disaster losses, stabilizing enterprise administration and living standards, and in accumulating investment capital. The company paid approximately 5.5 million yuan in compensation to residents, factories, and enterprises in the Shanghai district that suffered damages in the repeated rainstorms of this August and September. When the Shanghai Lacquer and Paint Factory suffered a business loss due to fire, it received more than 200,000 yuan in compensation because it had been insured.

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## FINANCE AND BANKING

### SYSTEMS OF PROFIT SHARING BETWEEN STATE, ENTERPRISES REVIEWED

Beijing CAIZHENG [FINANCE] in Chinese No 8, 8 Aug 85 pp 39-40

[Article by Sha Nan'an [3097 0589 1344] and Yang Min [2799 2404]: "Reform of Distribution Relations Between the State and Enterprises"]

[Text] The system of profit distribution between the state and enterprises is an important aspect of the enterprises' financial systems. Since the PRC was established, this system has been reformed many times by the state, primarily through enterprise funding, profit retention, and substitution of tax payment for profit delivery.

#### I. Enterprise Funding

The periods 1952-1957, 1962-1968, and 1978-1979 represent the stages of rehabilitation, readjustment, and consolidation of China's economy. All three had one characteristic in common: On the one hand, many important construction projects needed to be carried out, and on the other, the state was in financial difficulty and short of construction funds. Therefore, it had to adopt the necessary measures to arouse the enthusiasm and initiative of the enterprises and workers, encourage the enterprises to increase their production and income, and then gradually improve the working and living conditions of the workers. In view of these conditions and the state's needs for economic development, as well as its financial capability, enterprise funding was practiced among the state-owned enterprises on different occasions throughout these three periods.

According to the provisions of enterprise funding, the state-owned industrial enterprises had to fulfill the major state plan targets before they could draw from realized profits their enterprise fund, amounting to a certain proportion of payroll. In addition, if they made profits (or reduced losses) over and above the planned figures, or earned more than they did in the previous year, a set proportion of that part of profits could be retained by the enterprises. Failure to fulfill any one of the assigned quotas would result in the reduction of their enterprise funds by a certain percentage. After appropriating the enterprise fund according to the regulations, the enterprises would turn over the remaining profits to the state.

Enterprise funds received for the fulfillment of quotas were used mainly for welfare measures and as bonuses, while the portion that was received for above-quota or increased profits was used for production development or as welfare and bonus funds.

Enterprise funding helped arouse the enthusiasm of the enterprises and workers in fulfilling state plans and in increasing their production and income, and encouraged the enterprises to exercise meticulous calculations and strict budgeting. However, there were also some problems: (1) The amount of enterprise funds, based on the size of the payroll, was not truly linked with the enterprise's economic results. Thus the bigger the labor force an enterprise had, the larger would be its amount. This was not conducive to improving labor productivity. (2) Under the enterprise fund system, not much profit could be retained by the enterprises. In 1952-1957, for example, the amount of enterprise funds appropriated in the entire country accounted for only 3.6 percent of realized profits. The funds required by the enterprises for developing their production came primarily from state allocations, while expenditures for workers' welfare were charged to production costs. The practise of "eating from the same pot" essentially remained unchanged.

## II. System of Profit Retention

In 1958-1961 and 1979-1982, a construction upsurge was shipped up in China's national economy, and many economic systems were undergoing readjustment and reform. To meet this new situation and to increase the enterprises' financial resources as a means of arousing enterprise and worker enthusiasm, the system of profit retention was introduced among the state-owned enterprises during these two periods.

In 1958-1961, when the system of profit retention was in force, the amount to be retained, with departments as units, was based on what the state actually spent on "technical and safety measures, development of new products, workers' welfare, and other minor items," plus the enterprise fund, the socialist emulation bonus funds, and the shares of above-quota profits actually appropriated during the First 5-Year Plan in proportion to the profits of the same period. Out of the total retained amount, the shares of individual enterprises were to be determined by the department in charge.

In 1979-1982, the method of profit retention for the state-owned industrial enterprises mainly took two forms: First, the retention of base profits in addition to the retention of increased profits. The proportion of base profits was based on the total amount of five different expenses: (1) expenses for trial production of new products ranging from 1 to 3 percent of the total profits according to the size of the project; (2) expenses for scientific research and the technical training of workers, as determined by the state; (3) the workers' welfare fund, amounting to 11 percent of the payroll; (4) workers' bonuses, calculated at 10 to 12 percent of standard wages; and (5) the enterprises fund, to be determined by the department in charge within the limit of 5 percent of the payroll. The proportion of increased profits to be retained would range from 10 to 30 percent

according to different trades. Second, retention of the total profits. The amount to be retained was based on the grand total of base profit retention and increased profits retention in the previous year or the previous 3 years in proportion to the total profits in the same period. According to regulations, the profit sharing departments and enterprises must fulfill all the five state quotas before they could share the total profits; otherwise, they would forfeit 8 percent of their share for each unfulfilled quota. If they failed to fulfill any one of these five quotas, their share of profits would be reduced by 40 percent.

In sharing the profits, the enterprises had to set up their production development fund, new product trial production fund, workers' welfare fund, and workers' bonus fund in varying proportions as required by the state or in accordance with regulations, and use these funds accordingly.

The practice of profit retention initially altered the state of over-centralization and rigid control and gave the enterprises greater decisionmaking power. Since the enterprises' income and the workers' welfare benefits were directly linked to business results, this system played a positive role in arousing the enthusiasm and initiative of the enterprises and the workers and encouraging the enterprises to be concerned for the result of their production and to improve their management for better economic results. However, as the reform progressed, certain problems cropped up. Because of the irrational pricing system, which had been in existence for many years, there were big gaps between the profit intakes of different enterprises and trades operating under highly diversified conditions. The constant changes in the objective economic conditions and the somewhat irrational proportions of profit sharing placed some enterprises at an unfair disadvantage.

### III. Substitution of Tax Payment for Profit Delivery

To further implement the policy of readjusting, restructuring, consolidating and improving, and to speed up the reforms of the financial and other economic systems among the enterprises, the state summed up its experiences in past financial system reforms, conducted some experiments, and decided to institute the system of substituting tax payment for profit delivery among all state-owned enterprises. Thus the profits which were formerly turned over to the state were replaced by taxes. This reform was carried out in two different steps.

As the first step, the large and medium-size state-owned enterprises were required to pay an income tax equivalent to 55 percent of their realized profits. Except for keeping a reasonable amount of retained profits, after-tax profits are turned over to the state in various forms and according to each enterprise's situation. These forms include "progressive contracts," "fixed proportions," "regulatory tax" and others. Small-scale state-run enterprises are responsible for their own profits or losses after turning over their 8-grade above-quota progressive tax. If an enterprise's after-tax profits are relatively high, the state can collect an extra contracted fee or a fixed portion of the profits.



The enterprises paying taxes in lieu of delivering their profits must fulfill the six state plan targets--namely, the targets regarding output, quality of products, production cost, turnover of circulating funds, income tax from realized profits, and regulatory tax-before they are qualified for profit sharing according to the regulations. Failure to meet income tax target would result in a 5-percent reduction in their share of after-tax profits; failure to meet the other five targets would result in a 4-percent reduction for each one; and failure to meet all six would result in a 25-percent reduction. The after-tax profits shared could be used, according to regulations or as required by the state, as production development funds, new product trial production funds, reserve funds, workers' welfare funds, or workers' bonus funds.

The second step was taken on 1 October 1984. Since that day, the system of both tax payment and profit delivery has been gradually replaced by that of substitution of tax payment for profit delivery. The main features are as follows:

1. The current industrial and commercial tax was to be classified into product tax, business tax, value-added tax, and salt tax, according to its characteristics. At the same time, the taxable items under the product tax category were reduced, and the tax rates were duly revised to alleviate certain contradictions caused by irrational pricing. Thus, tax was able to play a more active role as a lever in regulating production and circulation.
2. Taxes on natural resources such as crude oil, natural gas, coal, and metallic minerals were to be paid by state-owned enterprises for the exploitation of these resources. This served to readjust the difference in the income of certain enterprises operating under unfavorable conditions. It also encouraged the enterprises to strengthen their economic accounting and to manage and utilize the state's resources more effectively.
3. Income tax was to be levied on the state-owned enterprises making profits. The large and medium-size state-owned enterprises were to pay their income tax at the rate of 55 percent, and the small state-owned enterprises were to pay the same tax at the 8-grade above-quota progressive rate. The large and medium-size state-owned enterprises form the backbone of the national economy and the main source of state revenues. It is therefore convenient to tax them at a set rate. Since the small state-owned enterprises may be run by the collective or by individuals under contract or lease, and their profits are more susceptible to market regulation, the use of the 8-grade above-quota progressive rate would be more suitable for their flexible business operation.
4. A regulatory tax has to be collected from the large and medium-size state-owned enterprises. The rate of this tax is set according to the varying conditions under which the enterprises operate. Converted profits of 1983 are to be used as base figures. Base profits are to be taxed at set rates, while increased profits are taxed at a reduced rate. The margin of reduction has been widened from the original 60 percent to 70 percent, and the method of calculation has been changed from that of a moving base to that of a fixed base which remains unchanged for 7 years instead of 3 years.

5. The criteria for classifying state-owned enterprises as small-scale enterprises have been changed. Formerly, as a small state-owned industrial enterprise, its fixed assets could not exceed 1.5 million yuan and its annual profits could not exceed 200,000 yuan. Now the limits are changed to 3 million yuan for fixed assets and 300,000 million yuan for annual profits. This serves as an incentive to small enterprises.

The second step in the substitution of tax payment for profit delivery is a prerequisite for the economic structural reform in the cities as well as a breakthrough in the entire economic structural reform. Its significance is profound and advantages abundant. The major advantages are as follows: First, it marks a step forward in the distribution of benefits among the state, the enterprise, and the workers. After the second step, the relationship between the state and the enterprises will be fixed by tax laws. This will guarantee a steady increase in state revenues and also enable enterprises to plan production more fruitfully protecting legitimate interests. Second, after the second step, the enterprises' economic responsibility will be increased, which will prompt the enterprises to set up and perfect internal responsibility systems and improve operations and management. It also strengthens the worker's sense of being the masters so that they will make every effort to improve economic results. Third, after the second step, the substitution of tax payment for profit delivery will help eliminate barriers among departments and regions, reduce the unnecessary administrative interventions, and readjust the enterprise lineup according to the requirements of economic development. Fourth, after the second step, taxation will be able to play a more effective role as an economic lever.

The economic structural reform is now going on in various fields in China, and many problems still have to be explored. The system of substitution of tax payment for profit delivery likewise will have to be improved step by step in practice.

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FINANCE AND BANKING

PRC FINANCIAL STATISTICS SUMMARIZED

Hong Kong JINGJI DAobao [ECONOMIC REPORTER] in Chinese No 28, 15 Jul 85 p 33

[Text]

Table 1. State Credit Balance

(Unit: billion yuan)

Item	Balance at end of 1st quarter 1985	Balance at end of 1984
Itemized deposits	335.376	330.561
From enterprises	138.197	133.379
From financial institutions	24.787	16.588
From capital construction	23.316	33.343
From governmental organizations	31.021	32.346
From cities and towns	86.579	77.662
From rural areas	31.476	37.243
Liabilities to international financial organs	6.133	6.223
Currency in circulation	78.759	79.211
Operating funds of state banks	61.260	57.317
Carry-over balance in the present year	2.721	3.943*
Miscellaneous	14.103	22.456
TOTAL SOURCE OF FUNDS	498.352	499.711
Itemized loans	441.952	441.957
To manufacturing enterprises	88.851	88.409
To industrial supply and marketing enterprises and materials departments	31.181	30.977
For commercial purposes	217.028	227.280
Short and medium-term loans for purchasing equipment	29.172	28.966
Industrial and commercial loans to urban collectives and individuals	32.961	29.517
Down payments	.621	.673
To state farms	5.533	5.089
To township and town enterprises	36.605	31.046
Gold	1.204	1.204
Foreign exchange	16.954	18.256
Assets with international financial organs	6.729	6.644

\* Preliminary figure

[Table continued on next page]

Financial lending	25.928	26.078
Miscellaneous	<u>5.585</u>	<u>5.572</u>
TOTAL APPLICATION OF FUNDS	498.352	499.711

Table 2. Rural Credit Cooperatives: Deposits and Loans (Unit: billion yuan)

Item	Balance at end of 1st quarter 1985	Balance at end of 1984
Itemized deposits	64.721	62.499
From farm collectives	7.011	9.000
From township and town enterprises	6.818	8.111
From individual commune members	49.468	43.812
Miscellaneous	1.424	1.567
Itemized loans	46.461	35.452
To farm collectives	4.639	3.841
To township and town enterprises	15.740	13.502
To individual commune members	26.082	18.109

Table 3. Exchange Rate, Gold, Foreign Exchange Reserves, and Foreign Debt

Item	1985		
	January	February	March
Exchange rate :			
One SDR -- RMB yuan (end of month)	2.7394	2.7196	2.7953
One US dollar -- RMB yuan (end of month)	2.8097	2.8346	2.8199
One US dollar -- RMB yuan (average)	2.8088	2.8251	2.8459
Gold reserves (in million ounces)	12.67	12.67	12.67
Total foreign exchange reserves (US\$ billion)	12.775	12.330	11.262
Of this: Reserves in state treasury	7.375	7.506	7.682
Foreign exchange balance of the Bank of China	5.400	4.824	3.580
State foreign debt (US\$ billion)	3.874	3.909	3.955
	1984		
	October	November	December
Exchange rate :			
One SDR --RMB yuan (end of month)	2.6300	2.7576	2.7404
One US dollar -- RMB yuan (end of month)	2.6400	2.7873	2.7957
One US dollar -- RMB yuan (average)	2.5564	2.6616	2.7891
Gold reserves (in million ounces)	12.67	12.67	12.67
Total foreign exchange reserves (US\$ billion)	16.341	15.511	14.420
Of this: Reserves in state treasury	11.342	10.657	8.220
Foreign exchange balance of the Bank of China	4.999	4.854	6.200
State foreign debt (US\$ billion)	3.785	3.822	3.869

9335

CSO: 4006/815

FINANCE AND BANKING

SECOND QUARTER 1985 FINANCIAL STATISTICS SUMMARIZED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 10, 4 Oct 85 p 46

[Text]

Table 1. State Credit Balance

(Unit: billion yuan)

Item	Balance at end of 2d quarter 1985
Itemized deposits	333.821
From enterprises	125.489
From financial institutions	28.849
From capital construction	26.131
From governmental organizations	30.455
From cities and towns	92.482
From rural areas	30.415
Liabilities to international financial organs	7.456
Currency in circulation	75.750
Operating funds of state banks	61.260
Carry-over balance in the present year	3.895
Miscellaneous	15.377
TOTAL SOURCE OF FUNDS	497.559
Itemized loans	446.996
To manufacturing enterprises	91.181
To industrial supply and marketing enterprises and materials departments	32.294
For commercial purposes	214.919
Short- and medium-term loans for purchasing equipment	32.721
Industrial and commercial loans to urban collectives and individuals	31.633
Down payments	.794
To state farms	5.781
To rural communes and brigades	37.673
Gold	1.204
Foreign exchange	9.722
Assets with international financial organs	8.101

Financial lending	25.928
Miscellaneous	5.608
TOTAL APPLICATION OF FUNDS	497.559

Table 2. Rural Credit Cooperatives: Deposits and Loans (Unit: billion yuan)

Item	Balance at end of 2d quarter 1985
Itemized deposits	63.755
From farm collectives	6.295
From township and town enterprises	6.456
From individual commune members	49.592
Miscellaneous	1.412
Itemized loans	47.797
To farm collectives	4.564
To township and town enterprises	15.946
To individual commune members	27.287

Table 3. Exchange Rate, Gold, Foreign Exchange Reserves, and Foreign Debt

Item	1985		
	April	May	June
Exchange rate:			
One SDR -- RMB yuan (end of month)	2.8270	2.8237	2.8730
One US dollar -- RMB yuan (end of month)	2.8522	2.8437	2.8779
One US dollar -- RMB yuan (average)	2.8411	2.8475	2.8625
Gold reserves (million ounces)	12.67	12.67	12.67
Total foreign exchange reserves (US\$ billion)	11.505	11.177	10.852
Of this:			
Reserves in state treasury	7.177	6.276	5.370
Foreign exchange balance of the Bank of China	4.328	4.901	5.482
State foreign debt (US\$ billion)	3.980	4.005	4.254

CSO: 4006/254

FINANCE AND BANKING

BRIEFS

BANK CREDIT INSPECTION--Zhejiang's Agricultural Bank and Credit Cooperative retrieved this October via credit inspection, more than 5.57 billion yuan in on-time, delinquent, and irrational loans, ensuring the purchase of agricultural byproducts, supporting the readjustment of the rural industrial structure and strengthening rural economic forces. This year the various agricultural banks and credit cooperatives have regarded and gone all out to undertake credit inspection as an important means to correct the orientation of its services and the unhealthy tendency of seeking private gain via the extension of credit and to promote rural economic development. The various regions, correcting problems as they encountered them throughout the inspection, energetically retrieved on-time, delinquent, and irrational loans. From January to October of this year, agricultural banks and credit cooperatives province-wide collected 2.11 billion yuan more than last year in this regard, which improved credit fund strength. At the same time, more than 5,658,000,000 yuan in agricultural loans of all kinds were extended, which was increase of more than 1.38 billion yuan over the same period last year. Of this sum, more than 400 million yuan in credit were granted to township and town enterprises and over 53 million yuan were extended to specialized households in October. [Text] [Hangzhou ZHEJIANG RIBAO in Chinese 6 Dec 85 p 1] 12221/13252

CSO: 4006/704

INDUSTRY

ANHUI: DEFENSE INDUSTRY'S CIVILIAN PRODUCTS COMMENDED

OW111430 Hefei Anhui Provincial Service in Mandarin 1100 GMT 10 Mar 86

[Text] The national defense industry system in our province has excelled in improving product quality. Last year, the system's 15 products for civilian use were designated as ministerial or provincial good-quality products.

In the last couple of years, the national defense industry system in our province concentrated its efforts on ever improving its product quality by strengthening basic management. It paid as much attention to the quality of industrial products for civilian use as for military products.

First of all, it established a strict quality standard for products. After the provincial national defense science, technology, and industry office and the relevant provincial bureaus examined the 11 provincial good-quality products produced by the national defense industry system in our province, official certificates were issued. Ad hoc quality tests showed that 5 of these 11 products approached or reached the international standard. The other 6 were up to the national advanced level.

Next, it made further efforts to improve its metrological work. A total of 264 measurement examiners of the system were mobilized to conduct technical examination, thus accelerating metrological work in military industrial enterprises. At present 11 military industrial enterprises in our province have reached the second best metrological standard.

In addition, all military industrial enterprises in our province have generally set up mass quality-control teams. This year, as many as five such teams attended ministerial or provincial meetings commending outstanding quality-control teams. Two of these five teams were evaluated as advanced collectives of the Ministry of Ordnance Industry.

/12913

CSO: 4006/806



INDUSTRY

HEILONGJIANG MILITARY ENTERPRISES SEE PROFIT INCREASE

SK050225 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 3 Mar 86

[Text] On the afternoon of 3 March, leading comrades, including Governor Hou Jie, of the provincial People's Government received in Harbin City the representatives of cadres, workers, technicians, and workers' family members in the local military industrial enterprises throughout the province, and fully acknowledged their achievements scored under arduous circumstances.

Since 1965, our province has begun to establish local military industrial enterprises. The eight existing munitions factories in the province are located in mountainous areas. The broad masses of staff members and workers in these factories have accelerated the pace of developing the economy and culture in these areas by carrying forward the spirit of waging arduous struggles, overcoming one difficulty after another, and by doing a good job in conducting production. In particular, the local military industrial enterprises in the province have increased more than 20 categories of civilian products since implementing the principle of ensuring the production of military products and turning their production into civilian products as much as possible. The output value of civilian products in 1985 accounted for more than 78 percent of their total output value. The four factories have begun to make profits. The local military industrial enterprises throughout the province should strive to switch their losses to profits this year.

During the reception, Hou Jie and Chen Jianfei delivered speeches. Also attending the reception were responsible personnel including An Zhendong, vice governor of the province.

/12913

CSO: 4006/806

INDUSTRY

SHANGHAI'S JIANG ZEMIN ON INDUSTRIAL PRODUCTION

OW030130 Shanghai WEN HUI BAO in Chinese 26 Feb 86 p 1

[Excerpts] According to a report by this paper, the Shanghai Municipal People's Government held a joint industrial production work meeting on 25 February, analyzing the current industrial production situation, coordinating solutions to problems that emerged, and calling on everyone to understand fully the importance and difficulty in fulfilling the production task for the first quarter of 1986.

Vice Mayor Zhu Zongbao presided over yesterday's meeting. Mayor Jiang Zemin attended and spoke at the meeting. It was pointed out at the meeting: Since the beginning of January, faced with a shortage of energy and raw materials and other difficulties, the broad masses of cadres, staff, and workers of the municipality's industrial departments have tried all means and worked hard to raise production in high fighting spirits. During the Spring Festival, approximately 1.2 million people worked overtime at the municipality's more than 900 factories, resulting in an increase of 100 million yuan in output value. After the festival, many enterprises and factories continued to work hard as usual, and mobilized personnel at all levels tried every way to organize production well. However, because of shortages of electricity, funds, and raw materials, as well as stagnant sales and reduced output, it was predicted that production will not be satisfactorily fulfilled in February.

In his speech, Jiang Zemin called on cadres to attach great importance to current production and not to be light-hearted. He said: Leading organizations at all levels should establish the ideology of serving the grass-roots levels; leading cadres should go deep into the grass-roots levels to strengthen regulating measures and solve problems in production; and all departments should strengthen their lateral contacts, support each other, and resolve the issues as quickly as possible without any delay if such issues can be resolved in Shanghai.

He said: It is necessary to distinguish between unimportant and important and between nonurgent and urgent contradictions in production, grasp the major points, and implement the measures. At the same time, it is necessary to strengthen the gathering and dissemination of information to enable the leaders to grasp the production trends in time.

Finally, Vice Mayor Zhu Zongbao expressed his opinions about the problems in production to which attention should be paid, and about the dividing line between enlivening enterprises and correcting unhealthy tendencies. He reiterated that the documents on economic reform previously handed down by the municipal government remain in effect.

Editor's note: Recently the industrial departments in Shanghai have encountered shortages of electricity, raw materials, and funds, as well as other difficulties, which have affected their production. We should be neither unworried, nor pessimistic and fearful about this. Instead, we should strive to overcome the difficulties with a positive attitude of struggling for progress. It is especially necessary for cadres at all levels of industrial departments to heighten their spirits, change their workstyle to a more practical one, go deep into the lower levels to study new situation and solve new problems, depend closely on the masses, adopt practical measures to serve the grass-roots levels wholeheartedly, help the lower levels resolve difficulties, raise production, and greet the convocation of the Fifth Shanghai Municipal CPC Congress with concrete actions.

/12913

CSO: 4006/806

## INDUSTRY

### STEEL MILL EFFICIENCY INCREASED, REDUCING ENERGY CONSUMPTION

Beijing JINGJI RIBAO in Chinese 8 Oct 85

[Article by Cheng Yuan [4453 6678]: "Iron and Steel Industry Follows New Road in Conserving Industry While Increasing Output; Persists in Technical Transformation of Old Mills for Increase in General Production Capacity; Steel Output Increases 12 Million Tons in 6 Years While Total Energy Consumption Declines by 1.6 Million Tons of Standard Coal and Output of Products in Short Supply Increases Tremendously"]

[Text] Editor's Note: The metallurgy industry has proceeded from realities to use available mills to blaze a new trail in development of the iron and steel industry through the tapping of potential, technical transformation, and plant expansion. This experience has demonstrated that it is possible to increase output using little investment and achieve quick results by tapping potential and implementing technical transformation of existing mills.

It is noteworthy that the iron and steel industry underwent an initially unconscious but finally conscious process in taking this road. The metallurgy industry believes that this road was brought about by necessity. At a time when the CPC National Congress has called for control of investment in fixed assets for the sake of the overall situation, the taking of this road was also a "necessity" for some trades, areas and enterprises. We believe that individual sectors and units should act in accordance with the need to "discuss important matters, to understand the overall situation, and to look after one's own trade" see the situation clearly, and consciously take the road of producing much from little investment, allowing limited funds to play a greater role. [End of editor's note]

During the past 6 years the nation's iron and steel industry has increased steel output by 12 million tons while reducing energy consumption by more than 1.6 million standard tons of coal through the technical transformation of old mills, without adding any substantial new capacity. In 1984, the industry realized 10.9 billion yuan in profits and tax revenues, up 118 percent from 1978; product quality improved; and output of a variety of scarce products also increased fairly tremendously. Leading comrades on the State Council praised this as a new road in the development of the nation's steel industry.

In recent years, the nation's steel industry has focused closely on improving quality, increasing the selection of goods in short supply, reducing consumption, tapping potential to a greater extent, making a technical

transformation, adding to equipment, and enlarging mills. As of the present, it has completed 60 key technical transformation projects worth more than 10 million yuan.

In the course of the technical transformation, the industry has focused on key areas to work in stages and by groups, and to mount projects first that require little investment but produce quick results to fill gaps, complete facilities, spread useful skills and increase overall production capacity. Capital Steel Mill carried out a technical transformation of more than 40 pieces of existing equipment, and applied a number of energy-saving techniques to key links in production for a tremendous decline in energy consumption throughout the company. The Anshan Steel Mill persisted in a program of "major repairs when major repairs are necessary, small repairs when small repairs are necessary, and obligatory repairs when something is found in need of repair." As a result, in 1984 alone, technical transformation work was completed on 33 projects in a two-stage project for overall excellence. The Wuhan Steel Mill focused on solving problems concerning major support projects preliminary to iron smelting such as improvement of wharves, thorough mixing of raw materials, and in sintering.

The technical transformation of old mills has improved quality of the nation's iron and steel products while markedly reducing energy consumption. Output of sheet steel, steel tubing, ferrosilicon sheets and strip steel, all of which had been in short supply, reached more than 12 million tons, up 70 percent over 1978. Output of alloy and low-alloy steel increased very quickly as well, output in 1984 being 27 and 110 percent higher than in 1978. Today inspection standards for 117 steel products have been revised upward to meet advanced international standards, and production of 15 kinds of oil pipelines has been organized to meet international standards. Top quality processed steel from key mills already accounts for 45.5 percent of all processed steel output. In addition, overall energy consumption per ton of steel declined from the 2.52 tons of standard coal of 1978 to 1.78 tons of standard coal, bringing about a fine situation of increasing production while conserving energy.

9432

CSO: 4006/117

INDUSTRY

BRIEFS

YANG BO AT CONFERENCE--Beijing, 8 Mar (XINHUA)--"Light industrial production should first guarantee the people's basic needs in their daily lives, then only go on to satisfy consumer demand for high-end durable goods." This guiding thought for the development of light industry during the Seventh 5-Year Plan period was presented by Yang Bo, Minister of light industry, at the national conference of directors of light industry departments and bureaus today. Statistics show that during the Sixth 5-Year Plan period, light industrial departments put 480 billion yuan worth of commodities on the market, accounting for more than 36 percent of the total retail sales of consumer goods in China. The overwhelming majority of these commodities were meant to satisfy the people's basic needs for their daily lives. The introduction of these commodities into the market considerably changed the situation of 1980 when light industrial production could not match the people's needs in their daily lives, when there were inadequate supplies of goods on the market, and when many commodities were sold in limited amounts only to coupon holders. Yang Bo also stressed that light industrial departments should make greater efforts to improve product quality. [By reporter Gu Honghong] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1506 GMT 8 Mar 86 OW] /12913

XINJIANG INDUSTRIAL OUTPUT--The region's industrial output value for February was 480 million yuan, of which 415 million yuan was fulfilled by industrial enterprises owned by the whole people, and 64 million yuan by collective-run industrial enterprises. Of the 81 major products, the output of 48 products increased by different degrees over the same period last year, including television sets, canned food, cigarettes, dairy products, edible plant oil, cotton cloth, crude oil, steel, and aluminum. The region's industrial output value for January and February was 1.06 billion yuan, an increase of 7.39 percent over the same period last year. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 6 Mar 86 HK] /12913

JILIN COLLECTIVE INDUSTRY--Jilin Province made a breakthrough in developing the collective industry during the Sixth 5-Year Plan period. In 1985, the total industrial output value of the collective industrial sector reached 4.804 billion yuan, an increase of 93.9 percent over 1980, showing an average annual increase of 14.2 percent. The proportion of collective industry to the province's entire industry rose from 19.2 percent in 1980 to 22.5 percent in 1985. In 1985, independent accounting collective industrial units earned 350 million yuan of profits and handed over to the state 320 million yuan of taxes. [Summary] [Changchun JILIN RIBAO in Chinese 12 Feb 86 p 1 SK] /12913

CSO: 4006/806

SMALL-SCALE ENTERPRISES

HUNAN ANNOUNCES MEASURES FOR TOWNSHIP ENTERPRISE DEVELOPMENT

HK120213 Changsha Hunan Provincial Service in Mandarin 2300 GMT 11 Mar 86

[Excerpts] The provincial government has decided to take the following measures to promote the development of the province's township enterprises:

1. Institute division of responsibilities between government and enterprises and expand the decisionmaking powers of these enterprises. It is necessary to help districts which have no such enterprises to launch these undertakings. The spark plan of the science and technology commission must be integrated with the technological transformation of the township enterprises.
2. The provincial CPC committee and government decided in 1984 to institute a favored treatment policy for the township enterprises. Beginning this year, a portion of the increase in industrial and commercial tax and income tax paid by these enterprises will be retained for the development of the enterprises. Under the premise of strengthening macroeconomic control, restrictions can be eased on technological transformation of the township enterprises and on floating capital loans. Loans for these enterprises will be increased by 200 million yuan this year. These should be issued in a timely way.
3. The township enterprises will be allocated a further 10,000 tons of steel this year from surplus production.
4. Except for the management fees charged by the township enterprise management departments in accordance with the regulations, no department is permitted to charge such fees under any pretext.

/9599

CSO: 4006/828

## SMALL-SCALE ENTERPRISES

### TOWNSHIP, TOWN ENTERPRISE FIXED-ASSET INVESTMENT DISCUSSED

Beijing NONGCUN JINRONG [RURAL FINANCE] in Chinese No 23, 1 Dec 85 pp 21-23

[Article by Sun Ronghua [1327 2837 5478] of the Jiangsu Province branch bank: "Discussing the Issue of Controlling Township and Town Enterprise Fixed-Asset Investment"]

[Text] Since 1984, the issues of excessive township and town enterprise growth and fixed-asset investment growth have become quite prominent. This excessive growth has surpassed support capacity in such areas as funds, energy, and communications. If this situation continues to develop, it not only will further intensify supply shortages in energy and raw and processed materials and the communications and transportation load, but also will seriously impede the realization of state macroeconomic control plans, affect the steady, continued, and coordinated development of the national economy and be unfavorable to the successful accomplishment of economic reform. In order to solve the issue of excessive township and township enterprise growth rate it will be necessary to control the scope of township and town enterprise fixed-asset investments. Thus, I will discuss my limited view of the situation.

#### 1. We Must Do What We Can To Stress Economic Results Township and Town Enterprise Development

Objective potential must not be exceeded in considering issues and handling affairs, and this goes for dealing with township and town enterprise growth, too. Statistics show that at the end of 1984, the Jiangsu Province township and town enterprise gross fixed-asset value had increased 1.6 billion yuan over 1983, equalling 1984' total township and town enterprise profits. Since we concentrated on quadrupling output value alone and neglected economic results, enterprise profit levels dropped, with 1984 profit created per 100 yuan of fixed assets dropping almost 10 percent over 1983, and 1984 total profits decreasing 300 million yuan from the 1983 figure. In 1985, the excessive growth momentum of township and town enterprise fixed-assets has indeed not abated. For instance, in 1984, fixed assets of Wuxi County's township and town enterprises increased 149.38 million yuan over 1983 and, during the first quarter of 1985, again increased 57.79 million yuan over 1984. By the end of May 1985, 23 of 95 newly approved projects throughout Wuxi County had invested over 1 million yuan each. The approved total



investment of these projects was 92 million yuan, but they actually need 128.22 million yuan in investment, and there is still a fund gap of 50.87 million yuan which cannot be solved. After completion, these projects will still need 75.19 million yuan in circulating funds in order to be put into full operation, with their total fund shortage being 125.86 [sic] million yuan.

Some comrades think that the only way for township and town enterprises to grow is by building new projects and opening new vendor's stands. Many areas have competed with each other in their township and town enterprise growth rate, resulting in more and bigger stands being opened. Stubborn opening of new stands and building of new projects has also caused the existing enterprise renewal and development fund deficit to grow. By the end of June 1985, the township and town enterprise renewal and development fund deficit in Yangzhou City's 11 suburban counties had reached a high of 76.53 million yuan, with that of Jiangdu County alone having reached 21.57 million yuan. The indiscriminate use of township and town enterprise special funds to build new projects has had a very bad effect on existing enterprises. Enterprises with large deficits in the special fund do not have the ability for self-transformation and self-renewal, and it is very difficult for them to exist and grow in the midst of intense market competition. Thus, township and town enterprise growth must not only take the route of exterior expanded reproduction alone, but should also tap transformation and reform potential. Indiscriminate opening of stands and unchecked expansion of production capacity is not only unfavorable to macroeconomic control, but may also result in a series of economic losses.

## 2. There Must Be Strict Examination and Approval Procedures for the Scope of Township and Town Enterprise Fixed-Asset Investments

Fixed-asset investments of state-owned enterprises are state-planned, but fixed-asset investments of township and town enterprises are uncontrolled, with all areas investing as much as they please. This is unfavorable for the overall balance of the entire national economy. Based on overall economic growth plans and potential in such areas as raw and processed materials, energy, and funds, national or provincial planning departments should study and formulate growth plans for township and town enterprise fixed-asset investments and distribute them to planning departments in all areas for control and execution. These plans should be directive. Some comrades think that township and town enterprises should grow naturally according to market supply and demand, and that using plans to guide them is out of the question and impossible. This does not correspond to present township and town enterprise reality. Past township and town enterprise production made use of local materials and produced and marketed on-site. Through growth over the past few years, most enterprises are far away from their raw materials sources and sales markets. They have expanded their scope of exchange, become integrated with local, domestic, and even international markets, and become gradually more socialized. Under these conditions, not improving planned guidance, but allowing them to grow unchecked, will cause economic losses. Thus, planned management of the scope of township and town enterprise fixed-asset investments based on macroeconomic requirements and through overall balance is quite essential.

Examination and approval work for township and town enterprise fixed-asset investments must be improved, and examination and approval procedures and jurisdiction must be enforced rigorously. At present, although all areas have some examination and approval stipulations for township and town enterprise fixed-asset investments, they are indeed not enforced rigorously and all investment is generally approved as submitted. Some local governments, planning commissions and economic commissions all have approval jurisdiction. This matter must be solved, and examination and approval jurisdiction should be centralized properly. Through examination and approval, control must be improved and orientation of township and town enterprise fixed-asset investments guided. When examining and approving projects, importance and urgency should be clarified, each case should be dealt with on its merits, and rational distribution should be stressed in such areas as raw and processed material supply, market demand, energy potential, fund volume, and investment results. Submitted township and town enterprise projects which are examined and approved must have funds fixed in advance and bank account comments and signatures.

### 3. Township and Town Enterprises Must Increase Their Fund Accumulation

Banks must give credit support to township and town enterprise growth, but the basic way to solve township and town enterprise fund problems is through enterprise self-accumulation. At present, township and town enterprises have many accumulation and distribution problems, such as too rapid growth of the consumption fund, too little enterprise-retained profits, and even the inability to replenish circulating funds. In 1984, Suzhou City township and town enterprise wage and bonus expenditures increased 73.5 percent over 1983, with many areas having exhausted their township and town enterprise accumulation funds and even being unable to make ends meet. By the end of 1984, Agricultural Bank and credit agency loans to township and town enterprises throughout Jiangsu had reached 3.66 billion yuan, or an increase of 120 percent over 1983; in addition, there were also over 800 million yuan of trust loans and over 1 billion yuan of funds raised by enterprises and introduced from other parts of China, with township and town enterprise debt having topped 5.4 billion yuan; rural funds were still in very short supply and many township and town enterprises were still constantly asking for increased credit. Under these conditions, bank and credit agency credit funds have been inadequate, and this matter should be stressed and solved as soon as possible. In order for township and town enterprises to gradually increase their fund accumulation, they must accomplish the following tasks: 1) they must control the growth of their consumption fund, which should not be higher than their profit growth; 2) according to stipulations, they must keep depreciation and general repair funds and replenish circulating funds, with annual replenishment of circulating funds being not less than 50 percent of net profits; 3) based on profit conditions, they must also keep a specific proportion of development and reserve funds. Overall rural planning should not be excessive, and most profits should be retained by enterprises. We should gradually achieve basic self-sufficiency in township and town enterprise circulating fund, with seasonal and temporary production fund needs receiving bank support, and some funds needed for expanded reproduction also being self-sufficient, thus ensuring sustained and steady growth in township and town enterprises.

#### 4. Control of Township and Town Enterprise Loans Must Continue To Be Improved

Bank and credit agency loans to township and town enterprises must not expand unrestrictedly. The credit lever must be used to control and supervise them, spurring township and town enterprises to maintain a proper growth rate.

Management of loan targets should be improved. Township and town enterprise loan targets should still be directive, their scope should not be expanded without authorization and approval, and credit agencies should also work out township and town enterprise loan plans and report them for bank examination and balance. A proportion of township and town enterprise loans should be stipulated as fixed-asset loans, in order to better control township and town enterprise fixed-asset investment.

Fund proportions should be adhered to. According to stipulations, in order for township and town enterprise fixed-asset loans to be granted, enterprises must provide over 50 percent of their own funds and, in order for circulating fund loans to be granted, they must provide 30 percent to 50 percent of their own funds. This stipulation was not adhered to conscientiously in past credit work, with enterprise provision of their own funds being generally inadequate and some enterprises even not having any of their own funds. Future granting of loans must adhere to fund proportions, and those which do not should not be granted. All enterprises which were granted loans in the past but did not adhere to fund proportions must make up the deficiencies within a set time. Banks should stop granting loans to those that exceed the time limits in making up the deficiencies.

Loan examination and approval jurisdiction and deadline control should be enforced rigorously. Township and town enterprise fixed-asset loan examination and approval jurisdiction of banks at all levels must be stipulated. It is not permitted to grant loans beyond jurisdiction or to practice fraud. Deadline controls for loans must be practiced, loans must be recalled when due and overdue ones must be handled according to credit sanction stipulations, in order to improve the concept of enterprise credit and speed up fund turnover. At present, some township and town enterprise loans have been granted impetuously and cannot be turned over, and we must stress clearing up and recovering them.

#### 5. Management of Township and Town Enterprise Fund-Raising Must Be Improved

Since rural fund supply and demand contradictions are quite prominent and the state has improved macroeconomic credit control and reduction township and town enterprise adoption of such forms as issuing stocks and bonds to raise funds has been a good way to solve fund problems and has helped to transform consumption funds into production funds. Over the past few years, Jiangsu township and town enterprises have raised approximately 800 million yuan in funds and the general situation is good. But relying on mass fund-raising to run enterprises is certainly unrealistic. Some enterprises have had poor economic results and have been unable to repay capital with interest on time, while others have practiced rigid apportionment and unsound fund-raising

procedures. Banks should guide and manage township and town enterprise fund-raising. The township and town enterprise general fund-raising method of issuing stocks and bonds is good, but fund-raising must uphold the principles of acting according to capability, repayment by the fund-raiser, voluntary participation, and mutual benefit. Fund-raising must not proceed according to fund needs alone, but must consider the ability of enterprises and the masses to repay. Reasonable fund-raising interest rates, dividend proportions, and repayment deadlines must be determined, the principle of voluntary participation must be upheld and coercive orders and rigid apportionment must not be practiced. Except for enterprise fund-raising from staff members and workers in their own units, social fund-raising must be approved by the departments concerned. With local banks as the agents, collected funds must be deposited in bank accounts and supervised. Special funds should be used for special purposes, and deposit fund repayment plans must be made according to stipulation, in order to ensure repayment on time.

12267/9869

CSO: 4006/637

7 April 1986

## CONSTRUCTION

## BRIEFS

SHANGHAI MAYOR AT BAOSHAN MEET--According to a WEN HUI BAO report, a decision has been reached to basically complete the second-phase project of the Shanghai Baoshan Steel Complex in the Seventh 5-Year Plan. This decision was reached at the first work conference on the second-phase project of the Shanghai Baoshan Steel Complex that closed yesterday. Qi Yuanjing, minister of metallurgical industry, said that investment in the second-phase project of the Shanghai Baoshan Steel Complex is very huge, and therefore we must do our best to reduce expenses, and not to overrun the total investment amount allocated. Li Dongye, representative of the State Council, stressed that stringent quality standards must be applied in the construction of the Shanghai Baoshan Steel Complex, and that negligence in construction quality should not be allowed. Mayor Jiang Zemin attended the conference. [Text] [Shanghai City Service in Mandarin 0100 GMT 11 Mar 86 OW] /12913

JILIN PRIVATE HOUSING--In 1985, Jilin Province built 13 million square meters of private housing in the urban and rural areas, of which some 11 million square meters were residential houses for some 260,000 families. Most of the new private houses were built of bricks and reinforced concrete of good quality. [Summary] [Changchun Jilin Provincial Service in Mandarin 2200- GMT 18 Feb 86 SK] /12913

HENAN GOLD-SMELTING PLANT--According to a report by YEJIN BAO [METALLURGY NEWS], the State Economic Commission has approved the establishment of a gold-smelting plant in Sanmenxia City, Henan Province. This plant, which will be the largest in the country, will play a vital role in increasing China's gold production. [Summary] [Beijing Domestic Service in Mandarin 0200 GMT 21 Feb 86 OW] /12913

CHANGCHUN AIRPORT BEING ENLARGED--The project to enlarge the Changchun airport at Dafangshen got underway in April 1985 as officers and men of a certain Air Force unit together with construction workers and project technical personnel from Jilin Province engaged in a valiant struggle. In only 4 months they completed the task of pouring more than 30,000 cubic meters of concrete. More than two-thirds of the main runway has been completed and forecasts call for a resumption of flights from it in November 1985. Large Boeing 707 passenger aircraft will take off and land here bringing to a close the era when large passenger aircraft could not take off and land at Changchun airport. [Text] [Changchun JILIN RIBAO in Chinese 19 Aug 85 p 2] 9432

CSO: 4006/117

FOREIGN TRADE AND INVESTMENT

JPRS-CEA-86-036  
7 April 1986

CONFERENCE ON TOURISM OPENS IN HANGZHOU

Official Discusses Development Plans

OW151141 Beijing XINHUA in English 1119 GMT 15 Mar 86

[Text] Hangzhou, March 15 (XINHUA)--China will invest 13.2 billion yuan (about 4 billion U.S. dollars) to develop resources and improve facilities for tourism in the next 5 years, a Chinese tourism official told a conference which opened here today.

Li Hairui of the National Tourism Administration said at the China special tour program Hangzhou '86 that China will concentrate its manpower, materials, and finance on improving the facilities in the major tourist cities and regions.

These were enumerated as Beijing, Shanghai, Xi'an, Guilin, Hangzhou, Suzhou, Wuxi, Changzhou, Zhenjiang, Yangzhou, Nanjing, Guangzhou, and Hainan island.

In addition, efforts will be made to build and improve other well-known tourist spots and routes.

Li told the conference, attended by Chinese and foreign tourism officials, the central government has decided to list tourism in the state plan and allocate more money to this industry during the 7th 5-Year Plan period (1986-90).

He said the number of tourist hotel rooms will increase from 60,000 at present to 120,000 by the end of 1990.

CAAC, China's airline, will add over 70 more planes and open new air lines so as to alleviate the bottleneck in tourist transportation.

In addition, highways will be extended in major tourist cities and regions.

He added that a national tourism training center will be set up in Tianjin, and tourism training institutes will enrol more students.

China plans to receive five million tourists by 1990, as against three million in 1985, excluding compatriots from Hong Kong, Macao, and Taiwan who come to visit their relatives, he said.

About 15 million compatriots came to visit their relatives in 1985.

U.S. Travel Official Comments

OW161304 Beijing XINHUA in English 1201 GMT 16 Mar 86

[Text] Hangzhou, March 16 (XINHUA)--China is on the verge of becoming one of the world's major tourist attractions, a senior United States tourism chief said here today.

Joseph Hallissey, chairman of the American Society of Travel Agents (ASTA), added that there was "almost limitless potential" for the growth of tourist trade between the U.S. and China.

Hallissey was addressing 500 Chinese and overseas tourism experts attending a conference in this Zhejiang provincial capital on special tourist attractions.

He said that although China's tourism industry was only 30 years old, it had registered extraordinary growth.

He praised China's recent efforts to improve hotel, transport, and telecommunications facilities for foreign visitors.

The industry would expand more rapidly as such facilities continued to improve, and as more individual travellers visited the country.

For many years, Americans had avidly sought Chinese works of art, such as porcelain, silk, ivory, jade, and carpets.

"Now they want to see China for themselves," he said.

"Photographs and films of China show a landscape that seems carved out of jade, mountains straight out of an ancient painting, magnificent lakes and rivers reflecting ancient palaces and temples. And, of course, there is the Great Wall.

"Travellers returning from China have said the reality was more wonderful than their expectations," he said.

Hallissey told the participants that the U.S. was second only to Japan in sending non-Chinese tourists to China. He expected the number of U.S. visitors to China to grow rapidly.

ASTA is the world's leading travel industry association, with 22,000 members in 128 countries and regions all over the world.

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CSO: 4020/234

FOREIGN TRADE AND INVESTMENT

PERIODICAL REVEALS JANUARY TRADE STATISTICS

HK130757 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 13 Mar 86 p 3

[Article by Olivia Sin]

[Text] China suffered a mild setback in its exports in the first month of this year, partly because of the weak world oil market, according to customs statistics.

In addition, Beijing's restrictions on foreign exchange spending resulted in a 9 percent drop in the country's imports in January.

The figures reported by the state-owned BUSINESS INTERNATIONAL showed China recorded a trade deficit of U.S. \$440 million in January.

The country reported a record deficit of \$14.9 billion last year, based on customs figures, up sharply from about \$2 billion in 1984.

Trade analysts said China's exports are likely to show a more drastic decline in the next few months if the slump in world oil prices is not reversed.

They also pointed out it is unusual for China to release monthly statistics, as it normally gives quarterly reports.

China exported U.S. \$1.85 billion worth of goods in January, down 0.8 percent from the same month last year. Its import bill stood at \$2.29 billion, representing a 9.1 percent drop.

Exports of petroleum products, its major foreign exchange earner, plunged 36.8 percent from a year earlier to 244,442 tons. Crude exports fell 2.5 percent to 1.93 million tons.

Other export items which suffered large declines included carpets, down 31 percent to 290,000 square metres; tea, down 17 percent; and canned food, down 22 percent.

But there were bright spots in China's export performance in January. Cotton shipments almost doubled to 37,400 tons while leather exports shot up 1.6 times to 767,000 tons.



Overall trade fell by 5.6 percent to \$4.34 billion in January compared with the same month last year.

Trade analysts said it remained to be seen whether China's reduced export earnings will have a direct bearing on the country's purchasing power.

Chinese officials have reiterated that the country will continue to import necessary equipment and raw materials to aid its modernization programme.

The customs figures reflected official determination to contain imports of consumer goods. Imports of television sets were cut by 56 percent to 130,000 pieces and car imports were down by 62 percent to only 99,000.

Imports of chemical fertiliser were slashed by 83 percent to 120,711 tons and purchases of good items from abroad were down by 35 percent to 445,000 tons.

On the other hand, China substantially increased its imports of machinery and raw materials.

Machinery imports almost doubled to 554 pieces and the country bought 1.2 times more paper, 57,908 tons, in January compared with a year earlier.

Imports of aluminium and wool more than tripled to 30,000 tons and 4,790 tons respectively.

BUSINESS INTERNATIONAL said China's trade with Hong Kong grew by 0.9 percent to \$850 million in the first month from a year earlier.

Overall trade with EEC countries and the United States also increased. Sino-U.S. trade rose by 1.8 percent to \$470 million and trade with EEC grew by 16.3 percent to \$530 million.

But China's trade with Japan, Russia, Canada, and Australia declined in January.

Two-way trade with Japan was down by 13.6 percent to \$1.19 billion, the paper said. It gave no breakdown of imports and exports.

Trade with Canada went down by 33 percent to \$93 million and with Russia by 2.9 percent to \$104 million. No reasons were given for the decline.

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CSO: 4020/234

FOREIGN TRADE AND INVESTMENT

BRIEFS

INTERNATIONAL TEXTILE INDUSTRY EXHIBIT--Beijing, March 13 (XINHUA)--An international textile industry exhibition, the largest ever held in China, opened here today. Over 300 companies and manufacturers from 14 countries and regions display their textile and garment machinery, equipment, and instruments. The exhibition covers a total floor space of some 20,000 square meters. An official of the Chinese Ministry of Textile Industry told reporters that continuous efforts will be made to develop China's textile industry in the coming years so as to meet the growing demand of the people. During the week-long exhibition, dozens of technical seminars with different topics will be arranged for both Chinese and foreign technicians. [Text]  
[OW131040 Beijing XINHUA in English 1036 GMT 13 Mar 86] /9599

CSO: 4020/234

POPULATION

WANG WEI ATTENDS FAMILY PLANNING MEETING

OW050837 Beijing XINHUA Domestic Service in Chinese 1547 GMT 4 Mar 86

[By reporter Yu Changhong]

[Text] Beijing, 4 Mar (XINHUA)--A national meeting to commend advanced collectives and individuals in family planning concluded in Beijing today. The meeting adopted a written proposal to leaders of various fronts in various parts of the country, comrades engaged in family planning work, and those supporting the work. The proposal says: With the beginning of the Seventh 5-Year Plan period, family planning work in our country has entered a new, important stage in which there may be another record number of births. We must grasp production and family planning while building material and spiritual civilization. We must unwaveringly practice family planning as our basic national policy in order to keep the population under control and to improve its quality. We must further improve our family planning policy and work style and improve family planning work.

The commendation meeting was held at a time that remarkable progress had been made in family planning throughout the country. During the Sixth 5-Year Plan period, especially in the past two years, various localities have conscientiously implemented the guidelines set forth in the central authorities; relevant documents, followed the correct principles guiding professional work, made further efforts to improve their family planning policy and work style, and adopted a cooperative attitude. As a result, the masses have raised their awareness of family planning. The average annual population growth rate in our country was 2.18 percent in the 1950's, 1.8 percent in the 1960's, and 1.91 percent in the 1970's, and dropped to 1.17 percent in the first half of the 1980's. At the same time, party and government departments at various levels, as well as family planning organizations, have tried hard to do practical work for the masses and to solve relevant problems reasonably. This has effectively kept the population from increasing too fast, strengthened ties between the party and the masses, and promoted stability and unity.

The meeting lasted four days. Wang Wei, minister in charge of the State Family Planning Commission, and representatives of more than 30 advanced collectives and individuals spoke at the meeting.

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CSO: 4006/809

TRANSPORTATION

BEIJING AVIATION BUREAU TO MODERNIZE AIRLINER FLEET

HK140416 Beijing CHINA DAILY in English 14 Mar 86 p 1

[Article by staff reporter Wang Gangyi]

[Text] Beijing Aviation Bureau, the largest regional office under the Civil Aviation Administration, is set to buy 20 modern jet airliners from foreign countries over the next five years to further upgrade its fleet.

An official from the bureau announced in Beijing yesterday that the jetliners would be bought through a leasing and loan purchase arrangement.

At the same time, the official added, the bureau would withdraw 12 obsolete planes from service.

The Beijing bureau runs 80 percent of China's international air routes and has 12,000 workers, over 25 percent of the country's total aviation workforce.

The bureau's Deputy Director Wang Jiwu told CHINA DAILY yesterday that from 1980 to 1985, his bureau phased out nine obsolete planes and bought and leased a number of modern aircraft.

"At present the bureau is equipped with 48 planes, including 35 passenger planes," he added.

According to the deputy director, by the end of last year the bureau had opened 23 international routes linking the Chinese capital with Hong Kong and 23 large cities in 20 foreign countries.

During the same period, the number of its domestic routes increased to 42 and its air routes now total 248,000 kilometres, he added.

Last year, the bureau's total transport volume reached 2.3 billion ton-kilometres (one ton-kilometre is one ton of goods carried over one kilometre), 3.2 times that of 1980.

In 1985, the cost and income of one ton-kilometre stood at 1.04 yuan and 1.59 yuan respectively, increases of 8 and 25 percent over 1980. The 1985 profit was 5.7 times greater than that of 1980, the deputy director said.

During the past five years, 21,199 people from the bureau received general and technical training in 624 courses, Wang said. But he added that despite the achievements, his bureau was suffering from poor management and service, outmoded maintenance and communication facilities and a lack of technical staff.

He said that to tackle these problems, the bureau had planned to boost its work force by 5,000 people, including 150 pilots, 150 maintenance staff, 150 communication workers and 500 attendants. Technical renovation and replacement of backward facilities would also be speeded up.

The bureau is to invest 310 million yuan over the next five years to upgrade its navigation, communication and maintenance equipment.

At the same time, the bureau will spend more than 220 million yuan on expanding its airport buildings, oil depot and training centres.

Wang stressed that management reform, ensuring safety and improving service remained the three major tasks of his bureau.

Under a management reform plan last year, CAAC (Civil Aviation Administration of China), which was the national carrier, was split up into regional aviation bureaus with greater decision making powers, including the right to do business deals with foreign countries. Local airlines could also be set up with the approval of CAAC, which will retain its regulator function in civil air transport, setting standards of airport facilities, aircraft, pilots and ground personnel.

All aircraft must be insured by the Chinese People's Insurance Company and in case of accidents must permit CAAC safety inspectors to investigate the cases. Wang said that his bureau's reform programme was still being prepared.

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CSO: 4020/239

TRANSPORTATION

PROBLEMS IN DOUBLE-TRACKING GUANGDONG LINE REPORTED

HK140729 Hong Kong SOUTH CHINA MORNING POST in English 14 Mar 86 p 12

[Article by K. C. Tsang]

[Text] The difficulties encountered in laying a double track on the Hengyang-Guangzhou section, one of China's main links between the north and southern provinces, shows the gigantic task the country faces in modernising its outdated railway network.

Despite the strategic importance of the section and heavy passenger and freight demands, the double-track operation between Hengyang and Guangzhou was halted completely last year.

Technical problems, a shortage of money and lack of coordination between state-owned organisations in Hunan and Guangdong provinces were said to be the main factors delaying progress on the urgent project.

The project to double track this 526-km section began in 1978 as part of a massive plan to upgrade the entire rail route from Guangzhou to Beijing.

The Hengyang-Guangzhou line straddles Hunan and Guangdong, and is one of the busiest lines in the country.

Construction reportedly resumed in earnest in January after efforts were made by the central authorities to reorganise the work team. The order went out to get the people involved moving ahead at full steam.

Passengers travelling to Guangzhou from places such as Beijing and Hangzhou in December saw that construction had been halted when the train set off southwards from Hengyang station in Hunan.

Common sights along the stretch were incomplete bridges at river crossings and unfinished tunnels in the hills. Many of the sites were unmanned.

Farm houses and paddy fields were still standing in some areas scheduled to be cleared for the second track.

The Guangdong railway authorities are responsible for laying the double track between Hengyang and Guangzhou.

An official in charge of construction, who is attached to Shaoguan City in northern Guangdong near the border with Hunan, told the masscirculation YANGCHENG EVENING NEWS published in Guangzhou recently that the project was only 40 percent complete.

The present single track is inadequate and has caused a severe bottleneck affecting freight transport between Guangdong and other provinces.

Five million tons of freight have to be transported in and out of Guangdong by alternative means each year because of the single track, according to official estimates.

The problem over the shortage of money for construction was not resolved until December last year when Beijing officials held a meeting in Guangzhou to investigate the causes of delay. The investigation was launched after work had been halted for several months.

Finance of 125 million yuan (HK\$312 million) has been committed for the first quarter of this year. The total funding for the year is expected to top 600 million yuan (HK\$1.5 billion).

Labourers have been ordered from Hunan and Guangdong to speed the project, which is scheduled for completion in 1988. A coordination centre has also been set up at Shaoguan to supervise progress.

A directive issued by the authorities says all state units are required to "obey orders" from the centre in supplying manpower and other resources.

Now 4,000 are at work following a revamp of the working schedule.

The need to accelerate construction was emphasised again at the national railway working conference held in Beijing last month.

Tunnelling in Dayao and Nanning mountains has posed a great technical problem--causing another delay.

The Dayao tunnel will be 14.3 km long. Although 12 km has been completed, work on the remaining two kilometres has been hampered by underground water and a fault in the earth. The problem with the Nanning tunnel is said to be caused by unstable lava caves.

It was resolved at the working conference last month that the entire tunnelling work at the two sites must be completed before the end of this year.

Extra expertise has been drawn from other sources in China to help beat the technical problems.

The topography of the region has caused many difficulties in the double-tracking programme. Many complications have had to be ironed out.

The construction includes the building of 61 tunnels and 124 bridges and alterations to 51 stations.

More money is not enough on its own. The railway authorities are also seeking advice from experts outside the railway industry to help beat the technical problems.

Upgrading the entire Guangzhou-Beijing section will not only be significant for internal freight and passenger transportation for China, but will make the proposed through train service between Hong Kong and Beijing much more comfortable.

The idea of operating such a service has been discussed between the Kowloon-Canton Railway Corp. and the Chinese rail authorities. However, no plan has been finalised to launch the service.

China also has long-term plans to electrify the increasingly over-burdened Shenzhen-Guangzhou section. Double tracking of this line is expected to be completed this year but it is doubtful that electrification will be completed in the current five-year plan. Last month's working conference made no mention of the project.

A feasibility study is also being conducted on a railway line linking Guangzhou and the Zhuhai Special Economic Zone across the border from Macau.

The study, being conducted by the central railway authorities with assistance from Guangdong province, is looking into the possibility of linking Zhuhai with the Guangzhou-Foshan section, ultimately extending to Macau.

There are also plans to add more lines to southern China, but given the limited resources, apart from manpower, modernisation of China's country-wide network of railways will have to move at a moderate speed, especially in the area of electrification which involves a great deal of money.

Electrification of the country's rail network will be realised next century, while priority is being given to renovating existing tracks with emphasis on adding new lines, double tracking and upgrading rolling stock.

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CSO: 4020/239



TRANSPORTATION

OCEAN SHIPPING COMPANY INCREASES BUSINESS, PROFITS

HK180835 Beijing CHINA DAILY in English 18 Mar 86 p 2

[Article by staff reporter Chen Zhisong]

[Text] China Ocean Shipping Company Agency (PENAVICO) [expansion unknown], officially designated to handle both the country's domestic and overseas shipping business, has fulfilled its transportation and financial plans and registered profit gains in three successive years.

"For several years, our business has increased continuously following steady development in the country's foreign economic relations, although the world shipping industry is generally in a slump," Chen Zhonglu said when he addressed PENAVICO's fourth national work conference which began yesterday in Beijing.

Chen, deputy director of the shipping agency, attributed the agency's progress to the success of business reforms and the surge in foreign trade resulting from the open policy.

In 1985, PENAVICO oversaw 31,288 ships with a net tonnage of 162 million tons and cargo volume of 136 million tons, the most in the agency's history. It had a 12.5 percent increase in profits in 1985 compared with the previous year.

Last year, PENAVICO received 8,200 businessmen, 315,000 foreign seamen and 19,600 persons helped to return to their countries or sent on to their destinations.

The agency believes that the best way serves [as published] the country's fleet is to provide it with enough cargo.

According to incomplete statistics, the agency has obtained 1.80 million tons of cargo for the country's ships, and has set up long-term supply-transportation relations with many provinces and cities.

It has tied to strengthen the on-the-spot management in its branches in various ports in order to implement the country's transport quotas.

Meanwhile, PENAVICO provided good service for its foreign agents. Last year, some 70 percent of the ships it handled were foreign ones.

Chen said that PENAVICO has always tried to keep pace with the latest developments in international shipping. Containerized and combined transport methods have become common in the agency's business.

PENAVICO last year handled 448,000 standard containers, with total cargo weight of almost 3 million tons.

Fertilizer bagging is also a newcomer in the company's business catalogue. Since 1983, the agency has arranged for a million tons of fertilizer to be bagged business, resulting in large savings of foreign exchange. [sentence as published]

PENAVICO also plans to pen a bagging service for aluminum power.

Cao Zhang, manager of the agency's business department, told CHINA DAILY that the agency now boasts 38 branch offices in various ports compared with 26 three years ago.

Business ties have [been] set up with all domestic shipping companies and over 1,000 shipping, cargo-transport, trading, industrial, commercial and financial interests in 100 countries and regions.

The six-day conference is to review the work of the past and to forge new development plans.

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CSO: 4020/239

TRANSPORTATION

BRIEFS

SHIPPING COMPANY EXPANDS SERVICES--Beijing, March 17 (XINHUA)--The China Ocean Shipping Company Agency now offers services to more than 100 countries and regions. The shipping company has established business relations with more than 1,000 shipping, transport, trade, industrial, commercial and financial companies and organizations. Despite a long depression in the international shipping service, China's shipping agent service increased, accommodating 31,200 foreign vessels with 130 million tons of cargo, setting a record last year. Chen Zhongbiao, deputy general manager of the China Ocean Shipping Company Agency, said at a meeting here today that container transport and through transport are new services with strong vitality. In addition to agent service, the company also undertakes other services, including canvassing shipping orders, storage, ship rent and repairing. Domestically, the company has 38 branches, which provide services to 73 shipping companies and other foreign trade organizations in the country. Chen said his company will make further efforts to improve management and provide better services to ship owners, seamen and clients. [Text] [Beijing XINHUA in English 1043 GMT 17 Mar 86 OW]

EXPRESS TRAIN SERVICE TO BEGIN--Beijing, March 16 (XINHUA)--Passengers travelling from Beijing to Shanghai or vice versa will spend two hours less than usual on the road as two special express trains will shuttle between the two cities next month. A spokesman for the Ministry of Railways said the special train will take 16:59 hours to cover the 1,462 kilometers as against the 19:01 hours at present. [Text] [Beijing XINHUA in English 0700 GMT 16 Mar 86 OW]

NEW AIR ROUTES OPENED--Shanghai, March 15 (XINHUA)--Seven through air routes will be opened by the Shanghai Administration of the Civil Aviation Administration of China (CAAC) this year. They are Shanghai-Guilin-Nanjing, Nanchang, Xiamen, Hefei-Hangzhou-Fuzhou, Hefei-Fuzhou, Jinan-Zhengzhou-Xi'an, Guangzhou-Changzhou and Shanghai-Xiamen-Guizhou routes. These routes will be served by returned flights starting from tomorrow. [Text] [Beijing XINHUA in English 1838 GMT 15 Mar 86 OW]

NEW AIR ROUTES--Guangzhou, March 14 (XINHUA)--Two through air routes from Guangzhou to Liuzhou in Guangxi Zhuang autonomous region and Changzhou in Jiangsu province, are open for service. Liuzhou is a major industrial city in Guangxi. The 435 km route is served by return flights every Tuesday and Friday. The Guangzhou-Changzhou flight leaves every Thursday and returns the same day. The air route between the two cities is 1,216 km. [Text] [Beijing XINHUA in English 1307 GMT 14 Mar 86 OW]

NEW TRAIN BEGINS IN APRIL--Guangzhou, March 7 (XINHUA)--A new passenger train will go into service between Guangzhou, Guangdong Province, and Kowloon in Hong Kong early next month, a local official said here today. Approved by the State Council, China's highest governing body, the train will increase to four the number of round-trip trains on the 183-kilometer line. More than 1.65 million passengers traveled the distance last year, 450 percent more than in 1979, when entry to the mainland was eased for Hong Kong residents. [Text] [Beijing XINHUA in English 1943 GMT 7 Mar 86 OW]

CAAC TO BUY AIRBUSES--Paris, March 19 (AFP)--China intends to buy two long-range Airbus A-310-300 models, though no contract has yet been signed, a French aviation source said here Tuesday. The Civil Aviation Administration of China (CAAC) has already bought three earlier airbus models, the medium-range A-310-200, two of which have been delivered. The 310-300, which has already been ordered by six airlines, has a range of 8,500 km (5,000 miles) compared with 5,200 kms (3,000 miles) for the medium-range model. The airbus is built by a European consortium, in which the largest participants are France and West Germany. [Text] [Hong Kong AFP in English 0522 GMT 19 Mar 86 HK]

HONG KONG FLIGHTS INCREASED--Nanjing, 7 March (ZHONGGUO XINWEN SHE) -- As from 6 March, flights from Nanjing to Hong Kong were increased from two to three per week. The additional flight leaves Nanjing at 0830 every Thursday and returns to Nanjing from Hong Kong at 1330. The original flights every Tuesday and Saturday remain unchanged. Spring is very much in the air in March in South China. The additional flight will bring more foreign visitors to see the enchanting spring scenes in the ancient capital of Jinling. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1338 GMT 7 Mar 85 HK]

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CSO: 4005/837

## CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

### PROSPECTS FOR EXPANDING TRADE WITH USSR, EASTERN EUROPE

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 4,  
Jul-Aug 85 pp 31-35

[Article by Hong Xi [3163 3556]: "Prospects for the Development of Economic and Trade Relations with the USSR and the East European Countries"]

[Excerpts] In the early years after establishment of the PRC, China had engaged in comprehensive economic and trade cooperation with the USSR and all the socialist countries of Eastern Europe. During the first 10 years, about three-quarters of China's total import-export trade was with the USSR and the East European countries. Our guiding principle had been to conduct energetic cooperation on the basis of equality and mutual benefit, in a practical and realistic way and based on a spirit of integrating patriotism with internationalism. Our trade relation with these countries had been developed according to actual requirements and capabilities, and in the 1950's already, more than 200 enterprises were transformed or newly established in a cooperation between China and the USSR and the East European countries. During the period of the First 5-Year Plan, China imported from the USSR 156 complete sets of equipment, including items for enterprises in the metallurgical, machine-building, automobile, coal mining, petroleum, electric power, telecommunications and chemical industries, which played an eminent role in China's socialist construction and in laying the initial foundation for China's heavy industry. China also imported other items of machinery, equipment and important materials from the USSR and the East European countries. China, in turn, supplied these countries with certain important materials needed by them, such as products of the light and textile industries, soybeans, rice, edible vegetable oils, nonferrous and rare metals, which was also of great assistance to the USSR and the East European countries in their economic construction and in satisfying the requirements of their markets. Chinese-Soviet bilateral trade in 1959 amounted to 1.849 billion rubles. Later, due to well-known political factors, this trade declined considerably, but started a gradual recovery since the beginning of the 1980's. Some estimate that the amount of Chinese-Soviet bilateral trade during the 5 years from 1986 to 1990 will reach \$20 billion. They estimate that with annual increases, the bilateral trade can be expected to reach amounts of over \$5 billion per year by the end of the 1980's. These estimates are not without a certain foundation. In the following, a few roughly

conceived views will be expressed as to the prospects of developing economic and trade relations with the USSR and the East European countries.

#### I. Actual Possibility of Developing Trade with the Soviet Union and the Countries of Eastern Europe

In the international market, differences exist between the various countries in such respects as their economic, political, cultural and social systems. This fact must have our serious attention. An analysis and study of these factors is extremely necessary now that China is developing economic and trade relations with the USSR and the East European countries in a planned, step by step and tactical way.

With regard to the economic factor, the Soviet Union is a large socialist country with a vast territory, a population of more than 200 million, rich natural resources and of great economic strength. In recent years, the distribution of the Soviet industry is in the process of shifting to the east, because the USSR's western parts have been developed earlier, and exploitable resources have already or will soon be exhausted, while the basic natural resources of the Soviet Union are now distributed in the eastern parts. This situation compels the USSR to shift the center of its economic development to the east. Thus, the Central Asian region will gain an extremely important strategic significance for the Soviet Union. The entire Central Asian region borders on China with a 7,300-km frontier and excellent communications by land and water. The eastward shift in the distribution of Soviet industry provides an extremely favorable opportunity for the expansion of Chinese-Soviet trade, a phenomenon that deserves a good measure of our attention and must be effectively exploited.

Beginning in the 1960's, political factors started to adversely affect Chinese-Soviet bilateral trade, which remained at an abnormally low level all the time thereafter, an unfavorable circumstance for both sides. Although some recovery and development have occurred in the last few years, the proportion of this trade to the total foreign trade of each of the countries is insignificant (see the following table).

Table: Proportion of Chinese-Soviet Trade Within Each Country's Total Foreign Trade (%)

Year	China	USSR
1980	1.3	0.3
1981	0.6	0.1
1982	0.7	0.2
1983	1.7	0.3

The table shows that although some recovery and development have taken place in Chinese-Soviet trade relations, it is still very limited in volume. Further favorable conditions must be created to develop the huge potential that exists in the mutual trade relations between the two countries.

With regard to political factor, the Soviet Union as well as the countries of Eastern Europe are by character socialist countries. Currently, some differences of principle on certain questions still exist between China and the USSR and the other countries, and trade developments between these countries will thereby of course suffer restrictions and adverse effects. However, even with a radical improvement in the political relations between China and the USSR hardly possible within the near future, the possibility exists of further improving bilateral economic and trade relations. When recently interviewed by Hong Kong and Macao reporters in Beijing, Comrade Hu Yaobang said: "We are sincere in our willingness to improve relations with the Soviet Union. China has always stood for the establishment of friendly relations with every country on the basis of the Five Principles of Peaceful Coexistence; why should it not be possible to establish good-neighborly, friendly relations with a socialist country with which China shares the longest common frontier? Our policy of opening up to the outside world proposes opening up not only to the Western capitalist countries, but also to the socialist countries and the countries of the Third World." When he met Vice Premier Li Peng on 14 March this year, General Secretary Gorbachev reiterated the hope that Soviet-Chinese relations will achieve important improvements. Current Chinese-Soviet relations are abnormal, but both sides desire improved relations. Once a radical improvement will have been achieved, much broader prospects will be opened up for the development of bilateral economic and trade relations. Moreover, China's relations with the countries of Eastern Europe are also gradually improving, and economic and trade relations are in the process of an ongoing smooth development.

With regard to the cultural factor, a traditional friendship has always existed between the people of China and the peoples of the Soviet Union and of the East European countries. The ideology, the cultural and educational level, and the social customs and habits have a very deep influence on the purchasing mentality and activities of consumers on both sides. In the 1950's, close contacts between China and these countries, frequent cultural exchanges, comprehensive economic and technical cooperation as well as government-to-government trade according to trade agreements, enabled the Chinese to gain a good understanding of the Soviet and East European markets, while the consumers in those countries were traditionally very fond of many Chinese commodities. Chinese foodstuffs, textiles, and handicraft products enjoyed a high reputation in those countries. The consumers were less demanding than consumers in the Western developed countries, and Chinese commodities were extremely well suited to their markets and selling well. It is for these reasons that the market of the Soviet Union and of the East European countries is one of the largest potential markets for China.

With regard to the social factor, China has for a long time conducted trade by government-to-government trade agreements with the Soviet Union and the East European countries. To further develop reciprocal barter trade is the common desire of the Soviet Union, the East European countries and of China. Because each of the participants is short of free foreign exchange, it will be possible for each side, with a mutual relaxation of trade requirements, to obtain what it needs without the use of free foreign exchange. For instance, as early as March 1983, when the Polish state trade delegation, led by Polish Undersecretary of Foreign Trade W. Gwiazda, inspected the province of Jiangsu,

the delegates repeatedly expressed the hope that some of the products manufactured in Jiangsu Province could be obtained by Poland in a barter trade.

After the war, speedy economic recoveries and developments were achieved in the five East European countries of Czechoslovakia, Hungary, Poland, the GDR and Bulgaria, but these countries are poor in natural resources, short of manpower and rely heavily on foreign trade. Since the 1970's, there has been a gradual upward trend in China's economic and trade relations with the countries of Eastern Europe. In 1984, China's trade with the said five countries amounted to about \$900 million, an increase of 80 percent compared with 1981, but this represents still only a very small proportion of China's total foreign trade. There exists, therefore, a very large potential of better economic and trade relations with these countries. In the last few years, China is employing a variety of different flexible trade patterns in the trade with these countries, such as processing of imported materials, processing and assembly work, cooperative production, joint financing and managing, compensation trade and cooperation in third world markets, and there are bright prospects for a further development of such cooperation in the future.

These four factors are external conditions that influence the development of China's economic and trade relations with the Soviet Union and the countries of Eastern Europe. They present us with real possibilities, as long as we show ourselves able to study the markets of the Soviet Union and Eastern Europe, and as long as we avoid anything detrimental and take advantage of whatever is favorable. We shall then be able to gradually turn the possibility of further developments in trade with the USSR and the East European countries into a reality.

## II. Correspondence of Markets and Demand Between China and the USSR/East European Countries

There is a difference in markets and demands between China and the USSR and East European countries brought about by such different factors as population, living standards, geographical location and level of production as well as industrial structure and consumption habits. The existence of these objective factors is the foundation on which to develop mutual economic and trade relations.

The Soviet Union is one of the economically and technologically strongest countries in the world, while China is the world's largest socialist developing country. One can indeed assert that there is great potential for development of economic and trade relations between China and the Soviet Union on the basis of equality and mutual benefit. Currently, there are certain differences in the level of economic development of China and the Soviet Union, and also many differences in the structure of their industries and composition of their export commodities. The Soviet Union is far superior in the production and export of capital- and technology-intensive products, since it has a modern industry, a highly developed science and technology, and a powerful war industry. The USSR is capable of sending its astronauts into space but is unable to provide its people with certain articles for daily use, while China has by now a definite industrial foundation and exports industrial



products, but concentrates much on labor-intensive products. Both countries have their particular strong points in key elements of production; China has abundant foodstuffs and excellent products of the light and textile industries, precisely the products that are in short supply in the Soviet Union. In the current international market there is an especially fierce competition for these products, and strict quota systems are being instituted in all European and American markets. Though there are no quota restrictions in the Japanese and Hong Kong markets, the consumers there demand very high standards of quality; they are extremely selective in these commodities. On the other hand, demand for consumer goods in the USSR and the East European countries is large, and as regards quality, demands are comparatively low, so that medium and low-quality goods still find a ready market. For instance, notwithstanding unsatisfactory sales of Chinese garments in the West European market, Chinese "Friendship" brand shirts are wildly snatched up by customers in the "Shen-ka-la" [phonetic] Bazaar in Budapest. An official of the Hungarian trade agency said: the shirts are of good quality and cheap, therefore competitive. Similar men's shirts made in Italy cost 400 florint, those made in Yugoslavia 380 florint, while the Chinese cost only 260 florint, which is why the Hungarians prefer the Chinese goods.

The USSR and the East European countries have a very well developed industrial foundation and advanced technologies; they have not only well developed traditional industries covering the whole range of iron and steel, chemical engineering, automobile and machine-building, but also extremely well developed nascent industries such as electronics, aeronautics and nuclear industries. Although the key elements of production cannot be moved about between China and the Soviet Union/Eastern Europe, it is possible that through trade and economic and technological cooperation each country brings the superiority of its key production elements to bear, exploits the potential in the corresponding markets, and satisfies the demands of the corresponding markets, which would be profitable for all concerned. A theory of international trade states that the wider the difference between two countries in their economic development, the more different they are in production structure and composition of export commodities, the more opportunities for the development of economic cooperation and trade relations between the two countries, and the greater the profits from such cooperation.

#### IV. Effective Measures To Accelerate Development of Economic and Trade Relations with the USSR and Eastern Europe

As economic construction proceeds in China and in the USSR and Eastern Europe, there is an almost daily increase in the objective possibilities and the subjective demand for a mutual expansion of the scope of economic, trade and technological cooperation. It is now urgently necessary to employ certain comparatively flexible and more effective trade measures to accelerate the development of economic and trade relations with the USSR and the East European countries.

First, on the premise of adopting a unified stand toward the outside, permission may be given to local entities to make their own barter trade arrangements with the USSR and Eastern Europe. The initiative of local entities and enterprises to employ effective measures should be fully brought

into play, and all provinces should be encouraged to take up trade with the Soviet Union and the East European countries. Based on the principles of self-responsibility for profits and losses, of reaching their own trade balances and of operating their own accounts, every province should organize its own sources of export commodities and carry on its independent business operations. For instance, Jiangsu is a province with a fairly well developed industrial and agricultural production base, abundant sources of export commodities, very rapid foreign trade development during the last few years, but with a small volume of exports to the Soviet Union and Eastern Europe. The main reason for this is that there is a government-to-government trade accounting, which requires that exports and imports maintain a balance, while the import units are disinclined to order goods from the USSR and the East European countries because of their inferior quality, which fact, in turn, restricts Chinese exports to the Soviet Union and the East European countries. Actually, the potential of the Soviet and East European markets is considerable; China has many commodities suitable to meet the needs of the Soviet and East European markets, while the Soviet Union and the East European countries also have many commodities that are suitable for the Chinese market. In its "Summary of a Trade Investigation Tour of Four East European Countries," a Shanghai trade delegation to Eastern Europe pointed out: "The earlier view that products manufactured in East European countries are of inferior quality and highly priced is a misconception. Our investigation has shown that as far as textiles, metallurgy, construction, and municipal engineering items are concerned, some of their products are of distinctive technology and in the forefront internationally, while the efficiency of some of their products is equal to famous brand-name products of Western Europe and suitable for use in China. Comparing prices, they are also 20 to 60 percent cheaper than similar products manufactured in Western Europe." It is therefore necessary to institute local barter trade with the Soviet Union and East European countries, a trade that has also great developmental prospects. The key is for us to break through the present methods and institute barter trade between local entities and the USSR and East European countries as a complement to formalized government-to-government trade. On the premise of not weakening or clashing with official trade-by-agreement, the local entities shall conduct trade on the principle of import volume determining export volume, balancing imports and exports, uniform pricing, and self-responsibility for profits and losses. Using the larger foreign exchange receipts than would be received from exports to capitalist countries, to subsidize the purchasing units for larger losses from imports than would be incurred from imports from capitalist countries, would stimulate enthusiasm among purchasing units to import more from the Soviet Union and East European countries and would correspondingly promote expansion of exports to the Soviet Union and Eastern Europe.

Second, to accelerate development of economic and trade relations with the USSR and Eastern Europe, in addition to stimulating the enthusiasm of central and local foreign trade departments, we must also provide some support for official policies such as reduced import duties, relaxation of certain import examination and approval procedures for certain market commodities, low interest loans by banks for the importation of equipment from the USSR and East European countries, and other such measures.

Third, we must strengthen economic and technological cooperation and joint contracting for engineering projects. In the 1950's, the Soviet Union and the East European countries were our major partners cooperating in the importation of technology and equipment. They have many intermediary technologies, items of equipment and fairly advanced traditional production techniques which are extremely useful for China, among which are several items which China intends to develop on a large scale. Following economic and scientific-technological development in China, and under the condition of expanded economic and trade relations with the Soviet Union and Eastern Europe, using only the current trade forms will hardly be adequate to satisfy requirements; we must consider employing more effective and more flexible forms of trade and cooperation. First, we must strengthen economic and technological cooperation to achieve an integration of trade with the importation of technologies, cooperative production, and joint exports. We must gradually restore the past level of cooperation and even advance beyond it. The Shanghai trade delegation had suggested: "Launching economic, technological and trade cooperation with the countries of Eastern Europe would be beneficial for the economic development of both sides. Czechoslovakia, East Germany, and other countries hope they will be able to use Shanghai's manpower, technological strength and the favorable condition of its trade channels and shipping facilities to Southeast Asia for cooperative production and joint exports. As long as there is no basic conflict with Chinese export commodities, this might be considered. For instance, the Czech compact tractor, rice harvester, and other foreign trade commodities, China could handle as their sales agent in Southeast Asia, and it is suggested that the departments concerned study the matter and take up contacts wherever good prospects exist and explore the possibilities."

Fourth, during the period of the Seventh 5-Year plan, China faces the important task of the technological transformation on a large scale of presently existing enterprises. Among these, there are more than 200 large-scale enterprises built up during the 1950's with assistance from the Soviet Union and Eastern Europe. Importation of comparatively advanced production techniques, technologies and equipment from the Soviet Union and the East European countries would be very suitable for the transformation of these enterprises. Moreover, now that China has opened up 14 coastal cities and the importation of foreign capital is being vigorously pursued, we must prevent the opportunity to enter China's investment market not only to the West; this great door must also be open to the Soviet Union and the East European countries. We would furthermore welcome competition among themselves for entry into the Chinese market. The fiercer the competition among the various countries, the more selective China can be and the more China will benefit.

To sum up, in view of the economic strength and potential in the relations between China and the USSR and East European countries, there is an extremely bright future for the development of these economic and trade relations. Both sides must build on the current foundation in exerting efforts to accelerate the development of mutual economic and trade relations, which undoubtedly will benefit both sides, will promote the prosperity and stability in each of the participating countries, and will make a due contribution to world peace.

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